



**FOREIGN
BROADCAST
INFORMATION
SERVICE**

Daily Report

Supplement

East Europe

Reproduced From
Best Available Copy

DISTRIBUTION STATEMENT A
Approved for Public Release
Distribution Unlimited

19990813 138

JPRS-EER-93-084-S
Monday
16 August 1993

DTIC QUALITY INSPECTED 3

Reproduced by:
National Technical Information Service
U.S. Department of Commerce
Springfield, VA 22161

East Europe SUPPLEMENT

JPRS-EER-93-084-S

CONTENTS

16 August 1993

NOTICE TO READERS: An * indicates material not disseminated in electronic form.

BOSNIA-HERZEGOVINA

Trade, Profiteering Among Warring Parties [Belgrade NIN 16 Jul]	1
---	---

CROATIA

Harvest Comparison in Slavonia, Baranja, Western Srem [VJESNIK 25 Jul]	3
Life in City of Vukovar Described [NIN 16 Jul]	4

CZECH REPUBLIC

* Michnik Discusses European Future, Nationalism [INFORUM No 12, 1993]	6
* Liberal Program Answers Political Right [INFORUM No 12, 1993]	6
* Failures of Prague Spring Communists Noted [TELEGRAF 8 Jul]	9
* Political, Religious Traditions Explained, Compared [CESKY DENIK 10 Jul]	9
* Need for Army To Attract Experts Stressed [LIDOVE NOVINY 9 Jul]	10
* Klaus Sees Good Economic Policy as Best Social Policy [EKONOM 30 Jun]	11
* Economics Minister Rejects Protectionism [EKONOM 7 Jul]	13
* Changes in Economic Statistics Explained [HOSPODARSKE NOVINY 7 Jul]	16
* Problems of Integration in World Economy Examined [EKONOM 7 Jul]	17
* Commodities Market Opens for Business in Brno [HOSPODARSKE NOVINY 29 Jun]	20
* Commodities Market Trading Described [HOSPODARSKE NOVINY 29 Jun]	21
* Tesla Pardubice Manufactures Arms [LIDOVE NOVINY 30 Jun]	22
* Group of Firms Plans Arms Production [RESPEKT 4 Jul]	23
* Dlouhy on Future of Uranium-Ore Mining [LIDOVE NOVINY 2 Jul]	24
* Structural Aspects of Unemployment Viewed [EKONOM 30 Jun]	25
* Advantages of Low-Cost, Highly Motivated Labor Seen [HOSPODARSKE NOVINY 9 Jul]	27
* Social Security Outlook to 2020 Evaluated [EKONOM 7 Jul]	28

POLAND

* Parties View Election Campaign Expenses [WPROST 27 Jun]	31
---	----

ROMANIA

* PUNR Deputy Terms Liberal Merger Catastrophic [LIBERTATEA 9-10 Jul]	33
Turianu's Views on Reform of Judicial System [ROMANIA LIBERA 24 Jul]	33
* Overview of Brasov Aeronautics Firm IAR-Brasov [ROMANIA LIBERA 15 Jul]	35

SLOVAKIA

* Slovak Managers Show Lack of Interest in Exports [HOSPODARSKE NOVINY 29 Jun]	37
--	----

SLOVENIA

Jelincic Denies Cooperation With Secret Police [DNEVNIK 21 Jul]	38
---	----

YUGOSLAVIA

Macedonia

* Ahrens Said To Dislike Prime Minister Crvenkovski [PULS 29 Apr]	39
* Democratic Party Holds First Conference [NOVA MAKEDONIJA 28 Jun]	39
Ethnic Differences on Defending Country [PULS 25 Jun]	40
* Position of Parties on New Privatization Law [NOVA MAKEDONIJA 15 Jun]	42
* Trade Unions Leader on Privatization, Early Elections [NOVA MAKEDONIJA 19 Jun]	43
* Progress, Prospects for Wheat Harvest [NOVA MAKEDONIJA 18 Jul]	45
* Virus Attacks Fish in Mavrovica, Humans Not Affected [VECER 13 Jul]	46
Macedonian Plant Trades Metal for Milk From Vojvodina [VECER 23 Jul]	46
* Water Checked for Bacteria, Chemical Pollutants [NOVA MAKEDONIJA 25 Jul]	46

Trade, Profiteering Among Warring Parties

93BA1326C Belgrade NIN in Serbo-Croatian 16 Jul 93
p 14

[Article by Branislav Bozic: "Go to War and Then Trade"]

[Text] *The black market in the former Bosnia-Herzegovina has been elevated to the state level to the extent that the future political moves of the warring parties can be perceived through it.*

Just 30 meters or so from the motel where Dr. Radovan Karadzic [president of the republic of Srpska] and Momcilo Krajisnik [speaker of the assembly of the republic of Srpska] recently dined, in the vicinity of Banja Luka, motor oil from the Rijeka oil refinery is sold. Except for two facts—the same person owns both the pump and the motel, and the political leadership of the republic of Srpska mostly stays here on its rare visits to Banja Luka and the Bosnian Krajina—curious locals have not been able to prove anything else, even though they have tried to find some sort of secret connection at any cost.

Everything thus remained at the level of political cafe gossip, but it was nevertheless a convenient reason for many people in that area to think about what is usually meant by the concept of a war economy.

Only naive people and ambitious politicians of local significance scream against war profiteers, and threaten black marketeers, while more cautious people see certain state interests in the fact that there are more and more Croatian and Slovene goods on the territory of the republic of Srpska, and one can hear from those who think that they are well informed that these are state deals about which "it is not convenient to talk right now." One can also hear that in order to pacify public opinion, some petty smuggler will suffer, as in that story about the foreign exchange black market.

Among the Slovene goods, one can find various trifles here, such as typewriter ribbons, sneakers, but also steel from the Ravne Ironworks in Carinthia, but there are not any political speculations here at all, since it is believed that "as soon as the war stops, we will work with Slovenia." It is probably because the war was so bloody that political connotations necessarily go along with goods from Croatia, and so the appearance of the above-mentioned INA [Petroleum Refining and Sales Enterprise] oil, Kras candy, and Vegeta from Koprivnica is causing an elevated emotional temperature, but is also taken as proof of the accelerated rapprochement (political) of the Serbs and Croats on the territory of Bosnia-Herzegovina.

Oil-Bearing Cattle

According to what can be learned, the routes for the goods differ from ones agreed upon by governments to traditional smuggling ones, although the latter do not lack a certain influence and control by the state, or, if someone prefers, by people in power.

Thus, INA's oil for automobiles, which is increasingly supplanting domestic oil (from Modrica), travels from Rijeka to the Albanian port of Durres, from there to Macedonia, and then to the republic of Srpska. They say that thus everyone is clean, because the embargo is only slightly violated, even though everyone knows where it came from and who it is intended for. It is interesting that the Rijeka oil is a full mark per liter cheaper than the one from Modrica, after it travels so far and has fabulous transportation costs. According to one theory, Croatia is deliberately offering very low producer prices in order to capture the "Serbian ethnic" market again in the long term. According to another version, the refinery in Modrica is burdened by excessively high war taxes and that is why it is more expensive. It appears that both are true, however.

This channel is considered a traditional smuggling one, but the shaky foundation of that theory nevertheless is proven by the fact that only people in whom the authorities have particular confidence can get the oil business. The story of pure state trade is much more interesting, however.

One can hear—in hushed tones, admittedly—that the republic of Srpska and the Croatian Community of Herceg-Bosna, at the level of the competent ministries, signed a protocol on some sort of economic cooperation. It involves a sort of clearing trade which, they say, already started with an exchange of cattle for oil. The Serbs send livestock to the Croats, and the latter send them tanks of oil. The business is getting under way, and if it is mutually satisfactory, claim those whom we must conceal with the term "well-informed sources," there are plans for it to be expanded to some other goods.

There is one more channel for Croatian goods on the territory of the Bosnian Krajina. It is the humanitarian aid from international organizations, which buy products from Croatian factories and then ship them to this region as aid. For this story, although it is very important for some other one, it does not matter so much where the humanitarian aid in the shops, openly sold, comes from. These are usually private commercial shops. More on this later.

State People

After all those hot stories about the Serbs' and Croats' political trading, especially in territories, all of this, of course, sounds trivial, but it can quite certainly be taken as reliable proof that the trade has started, while where it will end and who is benefiting the most from it, naturally, remain to be answered, but at some future time, since at this time, at least in the areas encompassed by war, at a time of high emotions, everything seems a bit different than it is, and nuances are hard to notice.

The fact that in the war areas not all trade has been reduced to relations between Serbs and Croats, and Croats and Muslims, is shown by some recent examples. According to a recent announcement by the information service of the First Krajina Corps in Banja Luka, in the

city of Tesanj, a very strong Muslim stronghold (there are also mojahedin from Saudi Arabia and Bahrain there), a box of the cheapest Banja Luka cigarettes, Port, is sold for eight marks, and a case of Banja Luka beer for 15 marks. It is hard to believe that that announcement was intended only for the people to hear; it is more likely that it was a rebuke to the authorities who are not preventing it, or even a warning that it is being done by people in the authorities themselves. The army thus showed what it knew and sent a message to a certain address.

The fact that there is still trade between the Serbs and Muslims is also demonstrated by a recent article in the only newspaper in the republic of Srpska, GLAS SRPSKI. The extensive article talks about the trade on the border between the republic of Serbian Krajina and Velika Kladusa. Gasoline, flour, oil, sugar are cited...with precise prices, and once again it is stated that it is a public secret, but that it is being mutually tolerated.

The authorities say that these are classic smuggling, black-market channels, but once again it is being said that there is some state business here, more precisely that "state people" are involved, they say. That is what they call officials here. Someone, however, spread the story that it has to be tolerated so that the Cazin area will not start trying to push through its own corridor.

The fact that all of this is like the classic story that accompanies wars—someone dies, and others make money—is nothing to get upset about, because here at least everything is known and everything is clear. In this Balkan confusion there is a great deal that is "in a world of its own," because through the black market, one can perceive the future political moves of the warring parties.

For economists, this is only one more proof that money recognizes neither borders nor fronts. In this case, however, that is not the whole truth. The time of general trading apparently has yet to come, but as a rule it is also accompanied by speculative political reversals.

Harvest Comparison in Slavonia, Baranja, Western Srem

93BA1330F Zagreb VJESNIK in Serbo-Croatian
25 Jul 93 p 14

[Article by Mirko Sajler: "Our Silos Are Full and Theirs Empty"]

[Text] The curtain has fallen. The Slavonia-Baranja field croppers have finished harvesting their wheat, which is considered the most important job in the entire calendar year. Unfortunately, this largest granary of Croatia is divided into two parts, occupied and free, which the Croatian Army defended at great sacrifice and thus prevented the Serbian aggressor from further advance and conquest of Croatian territory. A natural entity is now divided by an artificial border, and differing satisfaction with the harvest is noted on the two sides.

Whereas Croatian wheat producers are happy both with the yields and the purchase price of this most important bread grain, those on the other side of the border, in the so-called SAO [Serbian Autonomous Oblast] Krajina Slavonia, Baranja, and Western Srem, are refusing to turn over their wheat, dissatisfied both with the purchase price and also with the payment dates for the "bread grain," as they now call wheat, which they say leads producers into outright losses. The dissatisfaction has grown into authentic rebellion against Knin, because the field croppers there say that they do not want to feed "those from the karst" who are not doing any work and are living at the expense of Slavonia, Baranja, and Western Srem and their food and petroleum. The rebellion of the peasants was quashed only when the sheriff of Knin, Milan Martić, came to Vukovar and forced the peasants to listen with the help of Arkan and his "Tigers."

The Conflict of Interests Persistently Smolders

However, those in the so-called SAO Krajina Slavonia, Baranja, and Western Srem continue to desire economic independence from Knin, and they intend to establish their own petroleum industry, which would separate entirely from the firm at the level of the so-called republic of Krajina, which is living exclusively off exploitation of Slavonian petroleum in Djeletovci. The conflict has now moved over to the police: Martić has accused the police in Vukovar of not doing anything, but they did not fail to respond to him. The conflicts, for the present still verbal it is true, are continuing, and the Iskra agencies and the radio stations in Knin, Vukovar, and Beli Manastir are being used for skirmishing back and forth. It is quite uncertain how all of this will end, because the peasants in the occupied portions of Slavonia and Baranja are continuing to refuse to feed Knin and are hiding their wheat and calling for economic independence and separation from the "Knin Krajina."

It should not be forgotten that in the occupied part of eastern Slavonia and in Baranja there is the most fertile land for cropping, and the quality of the soil of Vukovar plowland is well known even in the outside world. Nor is

the quality of soil at Dalj and in Baranja short of it, but on those 90,000 hectares which the Serbian aggressor took the yields achieved this year are extremely low. The planting was done without adequate investment and the use of up-to-date soil and crop practices, and so the harvest is equal to the one in the first years after World War II, when production was done on the extensive basis. When we also add to this that a sizable portion of the plowland was not even cultivated, then it is quite clear why they are fighting over wheat in the so-called Serbian Krajina.

The mood is quite different in the free portion of eastern Slavonia; the harvest is larger than expected, and the purchase prices, it seems, have satisfied the producers. This especially applies to the private sector, which in Slavonia produced about 220,000 metric tons of wheat on 45,026 hectares. Because more than 182,000 tons of that went to purchases, it is obvious that the peasants are satisfied with that 0.27 pfennig which the government offered them per kilogram of wheat.

Just So It Is Not in Installments

Nevertheless, the satisfaction of the Slavonian peasant is clouded because the wheat that has been purchased is being paid for in three installments, and we were told the reason why by Stjepan Belir, a large wheat producer from the village Trnava:

"To be sure, the price of 0.27 pfennig is calculated as of the date of payment, but we need the money now, in order to establish a new production cycle. Thus, we have to go into debt for production supplies, and the interest rates on what we borrow are rising faster than the rise of the German mark. If we had the money, we would have bought production supplies in advance, which is now the least expensive. Nevertheless, we are satisfied with the measures of the Croatian Government, which afford us security that the government will take a quite different attitude toward agriculture than was the case in the former system. These are the first moves, and one day when there is enough money to purchase our market surpluses and pay for them on time, agricultural farms in Slavonia, and I hope in Baranja as well, will flourish entirely."

On the territory of Slavonia, combines, cooperatives, and peasants produced a total of 466,000 tons of wheat, which is a great contribution toward production in Croatia exceeding 850,000 tons, which is not only enough for domestic needs, but also provides market surpluses for export as well. When the occupied portion of that largest Croatian granary is liberated, thanks to its potential, agriculture will quite certainly be a great flywheel that will powerfully pull the entire Croatian economy forward.

Of course, here we must pay particular concern to the peasant family farm, as the government is in fact now doing, and this is confirmed by the favorable initial results. The peasants say that the corn price guaranteed

them of 0.24 pfennig per kilogram is quite good. The peasant will thereby get security and a motivation for the largest possible production, but this policy toward agriculture should be continued.

After all, the belief that it is possible to gain a decent livelihood from the soil in rural areas, which was lost in the last system because the peasants were robbed, will keep young people on the farm, and this will reduce pressure on the cities, on housing problems, and creation of jobs in industry, which will greatly alter the social pattern of Croatia. Because of the lack of a future in the communist system, young people fled to the cities and abandoned the rich holdings of their fathers and grandfathers and became proletarians, living on the edge of existence. The Croatian estate should build on that experience a new policy toward rural areas and agriculture. There should be no fear of the rich peasant, which is what the system in the former Yugoslavia was afraid of. After all, if the peasant is rich, so is the country.

Life in City of Vukovar Described

93BA1326B Belgrade NIN in Serbo-Croatian 16 Jul 93
p 16

[Article by Stefan Grubac: "Unused to the Light"]

[Text] *The streets are empty, but 25,000 inhabitants live in the city.*

"We, residents of Vukovar, when we go out in the evening to Backa Palanka, to Novi Sad, or when we are in Belgrade, cannot get used to the light, to the traffic lights, to the advertisements. The light bothers our eyes."

I was told this by one person from Vukovar, at the Dunav hotel.

I am sitting in a hotel in which the restaurant and the second floor are working. On the second floor, you can rent a room for the night. The remaining six or seven floors do not have a single window, and not one wall is whole. Below, on the second floor, there is also some vitality—the headquarters of the Serbian Radical Party is there.

Today Vukovar has 25,000 inhabitants, but its streets are empty. There are several cafes operating in the center. Young men and girls sit in them, as everywhere. Whether it is a suggestion inspired by the general scene, or not, their faces are different from the faces of those who sit in the gardens of cafes in Backa Palanka, Novi Sad, or Belgrade. Their conversations seem more serious. It is some sort of different life. "Fortunately," they say, "Serbia is close; you can go and come back every day. There is no delay at the checkpoint." At the "checkpoint," but not on the border. They cannot stand the word "border" and they do not utter it.

"There is no border between the republic of Serbian Krajina and Serbia," I heard at least 10 times. Almost every interlocutor emphasizes that.

"So why did we fight?"

Their identification cards say: "Federal Republic of Yugoslavia; republic of Serbian Krajina; name; surname..." In Cyrillic, of course.

"So why did we fight?"

There is concern, but there is no cowardice.

Four buildings have been rebuilt. The one frequently visited by Vuk Karadzic has also been rebuilt. There is a trace of a bullet on one rebuilt facade.

"It was strange here, you understand. There is not one young man here who was not in the war."

Who knows what picture, and what kind, appeared in his head, but there was a weapon in his pocket. Just like lightning! There is less and less of that, however.

The Danube boatmen are also working. Young people go out to the beach when it is very hot. I recognized one boatman. He had a pistol. Mirko Vojinovic: "I am guarding the Danube; it is necessary.... Suddenly some people appear from a willow grove. They want to go to Vinkovci! Listen, to Vinkovci! What do they want in Vinkovci?... A few days ago, there was one Romanian. He also wanted to go to Vinkovci. He had the way to Vinkovci drawn on toilet paper in his pocket...."

In wartime, the guardian of the Danube says only what he wants to and as much as he wants to.

Nearby, in the villages (the Vukovar municipality has 60,000 inhabitants), people live better than in Vukovar. In Vukovar, bread is even made out of moldy flour, and pigeons are caught.... Workers' families in Borovo, a suburb of Vukovar, receive pensions of three marks. The Vukovar port—the best on the whole length of the Danube, they say—is empty. Who dares to remember the Borovo combine and Vuteks, which are partially in operation?

Here, nearby, 520 tons of crude oil are produced per day. The republic of Serbian Krajina [RSK] is rich in forests. This is the richest land in Europe. The wheat leaves....

Rade Leskovac, president of the Serbian Radical Party for the RSK:

"They say, 'Go to Serbia!' As far as we in the Krajina are concerned, let everything go to Serbia for free, to the people and the state. What would happen to us if it were not for Serbia? Most of it goes into private hands, however; and what do the people get out of that, in the Krajina and in Serbia? It hurts me when someone goes to Frankfurt as a result of that wealth. Once I had shops in Osijek, and my wife went to Frankfurt when she wanted. We stayed with our people, and I do not regret it. My wife had to learn how to milk a cow, but someone's wives are going to Frankfurt now. My house, my patrimony, is on the very border with Osijek. None of my three minor children dare to be separated from their rifles. The

Krajina has to rebuild the economy, and we have to relieve the burden on mother Serbia. Those who are enriching themselves through the Krajina are ruining both us and Serbia. Do you know how the forests are being destroyed here? But an oak should not be cut down before it is 80 years old."

A labor obligation has been announced in Vukovar; everyone has to do a certain amount of work. The rubble is slowly being cleared away, and the brick is being cleaned. A great deal of construction material will be necessary. The republic of Serbian Krajina has wood, and it has exceptional wallboard panels. The factory for those panels, Knin-Gips, is the only one that did not cease operation all through the war. Those panels are irreplaceable in rapid construction, for partition walls. It has enough work for several years just working for Vukovar. Nikola Ozegovic, lawyer, secretary of the Knin-Gips Factory, is in Belgrade these days:

"Our only salvation, in the long term, is to revive the economy. That is the only way that we can help both ourselves and Serbia. We will relieve the burden on Serbia first of all if we export our products. Something or someone always messes things up, however. We were once with Dalmacija-Cement in Split. We had joint offices in Belgrade, two rooms. We separated from Dalmacija-Cement because of the political and war situation. We were the natural inheritors of those offices. We went to inherit them through a very regular way, to have them issued to us to use. Everything was in order, and we only lacked one paper, and then there was someone in the Ministry of Tourism who issued a permit to a private firm. It is clear how that goes.... Some powerful person is behind that private firm. We want an explanation: How, for how much money, and by what criteria did that private firm allegedly win that right? We will have to conduct a lawsuit. Wasting public property is probably not privatization. How will the Serbian state, for instance, repair hospitals, import medicines, live

economically? Serbia will be able to help us best and most if it helps us to produce, both for the Krajina and for Serbia. Isn't it better for us at Knin-Gips to make all of Vukovar capable of living, than for Serbia to have to give us what we have?"

The "private hands" are mentioned again in Vukovar. Some wheat from the Serbian Krajina goes to Belgrade and Podgorica, and some goes to Pristina and Kragujevac, but "private hands" are "private hands." They heard that their wheat ended up in "private hands" in Slovenia as well.

People in Vukovar are angry at those residents of Vukovar who are now leaving. They say that 17 of them from Mirkovci are building on just one street in Novi Sad.

Many people are opening private firms in the RSK, and in Vukovar, of course, just to "launder money."

Many Serbs went to Vukovar from Bilogora, Papuk, and Psunj. They emphasize that the "urban Serbs," those from Rijeka, Zagreb, and Osijek, fared the worst. Nine hundred fifty million marks in deposits by the "urban Serbs" were left in Croatian banks! Many of them gave their money to Dabim Banka. They say in Vukovar that those Serbs from Rijeka, Zagreb (150,000 left), Osijek...should have some sort of priority in recovering their money.

There is no end to Vukovar stories. All Vukovar stories are nervous. They are not nervous about just one thing: they will defend their state to the end. They have invested too much in it, too much precious material—human! There is no guessing about this alone, and everything else, they say, should be examined thoroughly.

Savo Davidovic: "One cannot sleep at night because all the programs are watched here."

* Michnik Discusses European Future, Nationalism

93CH0804A Prague INFORUM in Czech No 12, 1993 p 5

[Commentary by Jakub Camrda: "Michnik to Cassandra"]

[Text] On 7 June, a discussion meeting took place in the overcrowded hall of the Polish Cultural Center between Adam Michnik and Czech intellectuals (the meeting was preceded by a lecture by Adam Michnik at the Central European University a day earlier). Michnik did not disappoint and, in the words of one of the debaters, Alexandr Vondra, thoroughly fulfilled the role of a Cassandra. He spread out an apocalyptic vision of Europe in which ethnic hatred was spreading like the plague. In his opinion, nationalism is not something that has no effect on us central Europeans. On the contrary, Bosnia is something like a miniature central Europe in which "just borders" do not exist. That is why the idea of an ethnically pure state in these parts is so dangerous.

No less provocative was Michnik's mention of the fact that no matter how successful our prime minister is with his economic reform, we will never catch up with Japan anyway. In his view, we should not be outdoing each other in our mad rush to escape into Europe, to which Karel Schwarzenberg added that as poor relatives we should come to the common house with a little dignity and not arrive all sweaty and with our hat in hand. Martin Palous stated that we have great delusions regarding the European Community, which Adam Michnik made more specific by saying that we think that "we shall find gold there, although it can happen that all that will be there will be...." In his view, we would be better off to try to intensify central European integration.

He also spoke of the opportunities which we have already missed, particularly by not attempting to establish a joint spiritual area. The eastern portion of the European cultural structure has crumbled under the press of Western culture which flooded the postcommunist world only in its more primitive mass image. Nationalism can be an extreme defensive reaction to this international "Disneyland."

The Ukrainian ambassador injected more confusion into such a dramatic discussion by first accusing the Czechs and the Poles of regarding the Ukrainians in the same way as the West views them. In the next breath, however, he said the same thing of the Russians when he spoke of the oppressive and Asiatic character of the Russian people. Michnik not only rejected this image, but said that each nation should concentrate on its own nationalists and not constantly brandish historical wrongdoings which, of course, all of our countries suffered at the hands of the Russians.

Michnik expects a good democratic politician to primarily see the unpleasant facts and to not be afraid to speak about them. For him, such a man is primarily Vaclav

Havel, whose concept of politics he considers to be a challenge for the entire world. Adam Michnik thus believes in the feasibility and success of intellectual politics. As for himself, he remains an intellectual and from his position as editor in chief of the most influential Polish daily he can comment on today's problems much more freely and more effectively than anyone who is responsible for practical decisions. That is why I left the Polish Cultural Center with the feeling that we need a journalist of a format such as Cassandra Michnik rather than additional politicians who are intellectuals.

* Liberal Program Answers Political Right

93CH0803A Prague INFORUM in Czech No 12, 1993 pp 7-8

[Article by Milan Znoj: "The Liberal Alternative to Rightist Conservatism"]

[Text] In our country, rightist conservatism has two components:

1. A revolutionary mentality (the bolshevism of the right), the main ideological food for which consists of debolshevization. But this mentality also has something to say in terms of economic questions: privatization as a frontal attack, as a revolutionary fact, or rather as a total prescription. A favorite term is "nonstandard solution."
2. Neoclassical economic theory, that is to say, the theory of the free market, which is perceived as being a natural, spontaneous, and automatically optimizing mechanism of distribution of wealth within society. The skeleton of the key argumentation in this area is as follows: The market can only function optimally in and of itself, that is to say, without intervention by the state; it is thus not possible for the state to introduce this market gradually, the market must begin functioning all at once; in other words, the only method of transforming the economies of postcommunist countries can be shock therapy.

The Connection of Both Components Within Rightist Conservatism

1. Historically

The revolutionary mentality gave birth to the revolutionary wave which pushed the ODS [Civic Democratic Party] and Klaus to the top. Klaus acquiesced in this rightist revolutionary wave and as a result he prevailed in the OF [Civic Forum] and won the elections. Stated in somewhat more detail: From the standpoint of the revolutionary mentality, the elections are primarily a referendum which permits only one correct possibility and so:

- a) The elections were a referendum against communism. They were won by Civic Forum, it defeated the Communists and suppressed the other parties. Subsequently, Civic Forum embarked upon implementing "practical policy" without realizing, however, that

one cannot just simply disembark from the revolutionary wave which tends to have its own internal dynamics. The expectation that substantive politics would in and of itself mollify the revolutionary wave was more than an illusion. Of course, there were several illusions. This situation was utilized by Klaus. When he determined that he was politically threatened and that he would not need to find support for his economic notions, he acquiesced to the revolutionary mentality. The key moment: the breakup of Civic Forum and the lustration law.

- b) The elections were a referendum in favor of radical reform. They were won by the ODS because it succeeded in identifying with the reform in the eyes of the public.

2. In Terms of Content

Thanks to shock therapy, neoclassical economic theory suits the revolutionary mentality. Shock therapy is the only economic theory which makes it possible to justify the economic transformation of society in a situation in which there is social and political fragmentation.

In this country, this combination of both components of rightist conservatism gave birth to yet another method of transformation. This was coupon privatization. It is characteristic that it was even officially designated as being a nonstandard method of privatization. Its advantages in the eyes of the revolutionary mentality were speed and universality.

The Positives of Rightist Conservatism

1. The elimination of Civic Forum illusions regarding nonpolitical politics, that is to say, a new type of party or an all-people's party and the moralizing of politics. The moral ethos was only able to satisfy the revolutionary mentality in its beginnings. Civic Forum ceased being the hegemony of the revolution because it proved unable to satisfy the revolutionary mentality by other methods.
2. The pushing through of the liberal program of privatization and denationalization and the resulting irreversible end to socialism in politics and economics.

Criticism of Rightist Conservatism

At first glance, it would seem that rightist conservatism must be prosecuted for its revolutionary mentality. But such a procedure is always a double-edged sword. Of course, it is necessary to point out who is hiding behind the ODS revolutionaries, such as Macek, Kovar, Cermak, Kondr, and company. But such an argumentation must be substantive, it must deal with careerism, corruption, fraud, and so forth, and not the revolutionary mentality per se, in other words, not with anticommunism, lustration, and so forth. Such an argumentation acts like an ideological igniter and the revolutionary mentality acquires new energy, its pimples begin to swell, and its calves become inflamed.

Criticism should not be focused directly on the revolutionary mentality. This mentality must come to its senses on the basis of its life experience and criticism should therefore focus on the substantive relationships of social transformation such as it is practiced by rightist conservatism. Topics should be:

- a) partisan usurpation of a state;
- b) the growing together of political and economic power;
- c) revelation of the fact that the consequence of privatization as practiced by rightist conservatism will be economic power in the hands of former economic nomenclatura cadres.

There can be certain points of liaison contact between the liberal OH [Civic Movement] and the notions of Czech neoconservatism. This is given by the fact that Western neoconservatism is reacting to problems which are similar to those in our country. In the West, there arose the need to relax the straitjacket of the state of well-being. This was undermining the dynamics of society so that economic difficulties developed, accompanied by social and moral difficulties. This in turn resulted in the advent of neoconservatism. In our country, this need translates into breaking up the bureaucratic state of real socialism. Of course, this task is not completely comparable with that in the West as far as the depth of denationalization and the liquidation of the private and civic factors are concerned.

1. Neoclassics—that is to say, the theory of a minimum state. Of course, the liberal OH is also pursuing the denationalization of society.

2. Neoclassicism proclaims a free market. For the OH, privatization and development of a free market is also the alpha and omega. What is key, are the differences which make it possible to counter rightist conservatism with OH liberalism. Shock theory is not enough! It is limited and has undesirable consequences. Institutions which are not market institutions are forgotten about. The market is free, but functions within the framework of cultural and state institutions which make certain that the market does not undermine the prerequisites of social association. The market has value, cultural and institutional prerequisites. It is not a spontaneous natural mechanism such as takes place when a balance is being established on a hand scale.

- 1) The disinvolvement of the state must lead to establishing an open civic society. In other words, not only a free market, but also the establishment of a free public sector which is independent of the state: independent public opinion, the expansion of public legal institutions, civic associations and companies, territorial self-administration, and so forth. This also includes the relationship with the churches, education, and public health. Disinvolvement of the state cannot mean the disintegration of the state and its institutions. The state must be sufficiently strong so as to prove capable of promulgating adopted laws and

punishing their violation. There must be a strong judiciary which is independent of the state and of the political parties, a brave and politically independent police force, an independent audit system, an independent internal revenue service, and so forth.

- 2) Privatization cannot mean pilfering state property. There must be laws against dirty money. The connection of economic power with political power must be prevented. The greatest fraud being perpetrated by Klaus upon his ally, the mental revolutionary that carried him to power, is that the result of his method of privatization will be economic power in the hands of the former economic nomenclatura. Klaus perhaps hopes that after he has used the revolutionary mentality like a squeezed lemon and has discarded it, he will be able to find political support in this new economic power in the hands of the former nomenclatura cadres. The conflict of interest laws, the laws on political parties, on financing them, and so forth.

The liberal OH needs the following:

- a) its own concept of privatization of the economy, education, and the health service;
- b) the concept of a state of law based on the civic principle: elimination of the influence of economic power upon political power, expansion of civic and territorial self-administration, the creation of public legal institutions, a relationship with political parties, a relationship with the churches.

The Political Place of the OH

The residue of the revolutionary wave is the division of society into those who favor the reform and those who oppose the reform. This is a breach which the OH cannot wish to heal, to overcome, and so forth. Such a policy is suicidal. It is necessary to use this fact as a political given and starting point. Then the goal can already be to contribute to the development of a plurality of notions which are economic, political, as well as cultural in a way which will be commensurate to the manner in which the revolutionary wave will be settling and breaking up in a plurality of life experiences. The political place of the OH should be on the side of that majority of citizens which favors the reform. Such a majority should be considered by the liberal OH as an important stabilizing factor in the political development of society. The goal of the liberal OH should be to contribute to expanding this uniformly proreform majority into an open civic society. The liberal OH could then consider its goal to be a contribution toward maintaining an overall proreform political orientation in our society. The liberal OH will thus be turning to citizens whose views have their place on the political scale from the center toward the right. Within the framework of this position, the OH would strive for a liberal platform to compete with rightist conservatism. Rightist conservatism is not self-redeeming, let us say, at the expense of liberalism.

Supplement

A liberal party must shape itself in terms of three topics:

1. Freeing the individual from bondage by the state, by bureaucracy, and by social manipulation mechanisms. It is necessary to free ourselves from the straitjacket of real socialism. This is the correct and necessary accounting involving the communist past. It is not even embodied in the political campaign which makes use of slogans of debolshevization to manipulate public opinion and to engage in the political struggle. Neither is it the moralist sentiment of rectifying fairness, based on the syllogisms of the type which say: Communism was an evil empire and what communism institutionalized was a crime and tantamount to legal theft, ergo, that which was thus stolen must be returned; in other words, anyone who was wronged in this way (which can in fact mean: wronged by every fact) must receive total atonement, otherwise, justice would not be accomplished and we would not be done with communism. This debolshevization syllogism, however, knows and cannot know any criterion for what constitutes such theft, what constitutes such a wrongdoing other than a notion of some kind of natural fairness (for the ordinary person, this could mean as little as a personal feeling of having been wronged). The actual criteria for theft and wrongdoing in the end is the notion held by a political government regarding the appropriate natural degree of fairness incorporated into legislative provisions. Pavel Bratinka did this formulation justice in parliament by referring to heavenly fairness: Ask only for fairness and all else will be given to you. (Precisely because such argumentation is politically possible is empirical proof of the fact that November 1989 was a revolution.)

2. Fairness and solidarity. The question of social iniquities and their tolerance from the liberal standpoint. Here is where a justification of institutions which is different from those under neoconservatism shows up:

- Institutions based on human creativity which have a certain social purpose.
- Ties between the institutions and the public, and civic society and public opinion (the public, civic society is not reduced to the market or its mechanisms, but this is a question of the maximum public good only a part of which is the technological rationalization and maximization of effectivity).
- The concept of a state of law.
- This is also the place for the question of honesty (a better term than decency), for the struggle against corruption, dirty money, conflicts of interest, and so forth.

3. Ecology. The separation of radical ecology from the ecology which is seeking a connection between the market principle of effectivity while showing respect for the living environment. In other words, the concept of respect not only in the social sense, but also from the natural viewpoint.

*** Failures of Prague Spring Communists Noted**

93CH0804B Prague TELEGRAF in Czech 8 Jul 93 p 3

[Commentary by Alex Wynnyczuk, a lecturer at New York University: "Human Rights and the 'Sixty-Eighters'"]

[Text] Following my recent visit in Prague and after daily reading the majority of Prague newspapers, I again realized that the unwillingness of the former government to come to terms with the past and the continuing unclarity regarding the position in society by the so-called sixty-eighters will be debated in the public life in the Czech Republic for a long time to come. Proof of this are the arguments regarding the law on the illegality of the communist regime and the frequent articles by sixty-eighters or interviews with them regarding human rights and fairness, as well as recent proclamations by the Social Democratic Party on this topic.

I as well as many of my friends who left Czechoslovakia in 1948 have a difficult time understanding the thought processes and positions of some who played a very active part in the 1950's in destroying democracy and stepping on human rights or in introducing the economic system which brought Czechoslovakia to the level of a Third World country and who then, however, in 1968 attempted to reform their totalitarian party and who either lived in the 1970's and 1980's or were active dissidents and since 1989, speak and write more about a pluralist democracy, about human rights, and about a market economy.

Many of these sixty-eighters have already publicly mentioned that mistakes were made or that they realized soon after 1948 that things were not heading toward democratic socialism or that they were disappointed by developments, and so forth. Unfortunately, they did not draw any conclusions from this finding at the time. All of them continued in their careers in the Communist Party, all of them appeared in public, they defended and promoted the policies of the Communist Party or they wrote servile articles to celebrate the film about Stalin (A.J. Liehm) or the book on the "destructive role of the rightist Socialists" written by Mr. Hajek, and so forth. Unfortunately, even today, if there is any public discussion of the 1950's in these circles, there is constant talk of mistakes made by young people, of mistakes or incorrect developments in the Communist Party. The words mistakes and errors are definitely not suitable descriptions for this situation. Mistakes are made by schoolchildren when they write a soft "i" instead of a hard "y"; we make an error if, for example, we turn up the wrong street, but if thousands of people are being murdered and their lives ruined, this is difficult to describe as a mistake or an error. More likely, there should be talk of moral degradation. There are surely people who could say that they erred when they voted for the Communist Party in 1946 because they believed in Gottwald's promises of freedom and private business. But that is one action, one error. But how can we speak of errors if such a person then

publicly celebrates this system which has caused so much suffering for almost 20 years? There should surely be debate about moral values of people who proved able, be it on the basis of some kind of conviction or for material reasons, to overlook the crimes and to propagate the regime which commits them, rather than speaking of mistakes. Otherwise, this would mean that they always made a mistake whenever they stated something in public, or wrote something, or accepted another office to serve the regime, when they made decisions as officials designed to strengthen the power of that regime. This would truly be a lot of mistakes and errors to heap on one individual.

It seems to me that the sixty-eighters are being talked about today only because the Soviet Army came to Prague 25 years ago and excluded them from political activity. If no armies had come in 1968, the situation of the sixty-eighters would be completely different today. In 1968, resistance against the government by the Communist Party was growing very rapidly. In those days, the crimes of the fifties and the beginning of the sixties were still fresh in the memory of the majority of people and so, at the first opportunity, noncommunist organizations such as the KAN [Club of Nonaligned Activists], Club 231, Sokol, Junak, and others were being formed. Sooner or later, the Communists would have been removed from power, either as a result of elections or through some revolutionary action. This would have meant that the so-called sixty-eighters would already have been in the same situation in those days in which such people as Jakes, Stepan, and others find themselves today. Of course, the more likely outcome at that time would have been that the party would have defended itself to stay in power by introducing the same police methods against the noncommunist opposition as were introduced by Husak after 1969. Such a development would then have meant that in 1989 the sixty-eighters would have ended up like Jakes, Stepan, and those close to them. The mistake made by the sixty-eighters at that time lay in the fact that they did not recognize that the communist system cannot be reformed. They had a difficult time then introducing only a little freedom under the banner of a single legal political party or only a little of the market economy system. The Communist Party was able to stay in power only through force, because every relaxation of force would have led to a revolutionary anticommunist movement, as was the case in Hungary or in Poland and in Czechoslovakia in 1968. An economic system based on central planning and on state ownership also cannot be reformed, as they found out in Hungary after 20 years of attempting to do so. That is also why the Prague Spring could only have led to an anticommunist revolution or to new police methods applied by the Communist Party. And so, in the end, the sixty-eighters are in the sunlight today in some circles thanks actually to that long-ago Soviet Army.

*** Political, Religious Traditions Explained, Compared**

93CH0810A Prague CESKY DENIK in Czech 10 Jul 93 p 3

[Commentary by Rev. Dominik Duba, OD: "Our Tradition"]

[Text] In the first week of vacations, we celebrate two state holidays, one right after the other, which one should not totally understand, however, in the civil spirit.

The idea of Cyril and Methodius, like the majority of ideas, is of more recent date, and the tradition of Cyril and Methodius has too long a history for it to be understood correctly after so many years absence of a knowledge of history. I will try first to deal with the question of the idea of Cyril and Methodius, which has its roots in the 19th century and is closely connected with the development of the national and cultural rebirth of the Slavic nations. The romantic concept of the nation often made use of religious roots as well, but not always in a wise and correct manner. I think that it fitting that I should point out here the total of four methods of misuse of the figures of the bringers of our faith, Saints Cyril and Methodius. In the spirit of Panslavism, the Russian Czarist regime tried to win the Slavic and Balkan nations over to their side under the slogan of "One faith, one language, one empire." The second occurrence of this tendency to misuse them appeared at the beginning of this century, strongly connected with Russophilism. In the third place, the Communist regime attempted to abuse it in 1950 in the so-called Velehrad Pilgrimage according to Stalin's visions, but without success. The fourth time that it came to such an attempt was at the beginning of the 1980s with the plan to establish the so-called ecumenical theological faculty which would have trained a clergy of the Christian churches which was faithful to the state and the party. After preliminary polls, the originators of this operation resigned. The best answer to it was the famous Velehrad Pilgrimage in 1985. That mean a radical return to the original tradition of Cyril and Methodius.

The law-bearing brothers in their mission deliberately separated religious functions from the state and political power. In conflict with the understanding at the time, they rejected the possibility of subjecting new lands to the Byzantine emperor through their mission, but at the same time they did not look for help from the Western empire, where too close a relationship between the state and the church had come about after the reforms of Charlemagne.

This concept of religious functions continues in the mission of Saint Vojtech in Central Europe and is always present in the history of our lands. Here we discover the basis for the struggle for freedom of conscience in the religious contest, from which the modern concept of an understanding of freedom of conscience could later develop.

The actions themselves of the mission of Saints Cyril and Methodius have more of a religious and cultural significance than a civil one. If we want to look for a saint for the "state holiday," then only Saint Vaclav could be it.

I feel that the second state holiday also does not have a civil character. Master Jan Hus in his concept of temporal power and the demands which he places upon it (a prince who lives in serious sin is not a prince) is closer to anarchy than to the statism of the modern state. The idea of Jan Hus as a creation of the watershed between the 19th and 20th centuries is in a large part a historical and too tied in with various "isms" which have survived or been compromised. One cannot present the prince of the Middle Ages, Jan z Husinec, and the university Master as a romantic liberal struggling for pluralistic democracy. In this case as well we encounter an insufficient knowledge of history. This does not, however, take anything at all away from the magnitude of a man who was willing to lay down even his life for the truth that he acknowledged. In this sense, every Christian in the spirit of freedom of conscience according to Saint Paul, and thus also a Catholic, respects his seriousness and courage.

I am not sure whether all those who revere Master Jan were and are his followers.

Anyone who perhaps feels regret that the festivities of Saint Jan Nepomucky were more showy should be aware that this older contemporary of Master Jan was no less courageous, but on the contrary in relation to a specific monarch was more direct and courageous. This was also the reason why the last political power spit on him and hated him. We can also understand this year's festivities of Jan z Nepomuku as a rehabilitation for the wrongs committed against him and all those who opposed the state power which did not want to understand that to govern means to serve. And this is not so obvious even in a democratic society.

What to say in conclusion. Let us not tangle up religion with politics and politics with religion all together. There currently is no good choice to call up for the cultural battle or a crusade. The state is created by the cooperative efforts of all elements of the nation, mutual respect, and a willingness to help and understanding connected with the basis of our cultural, national, and religious tradition.

For the first time in many centuries we stand before an opportunity to begin anew, freely, liberated from ideological shells and released from illusions and utopian visions. Grant that a beneficent God and all our worldly patrons help us so that we do not waste this chance. Let us not look backward, but with the Apostle Paul, as he writes in his Letter to the Galatians, always forward!

* Need for Army To Attract Experts Stressed

93CH0810B Prague LIDOVE NOVINY in Czech
9 July 93 p 3

[Commentary by Jan Gazdik: "The Army Is Essentially Already a Conservative Institution"]

[Text] "I am asking for two years of quiet for the Army," said J. Nekvasil, the new chief of the General Staff of the

Czech Army, at his appointment last week. "Then I am prepared to close the accounts and even to resign."

The difficulty in this is, of course, that today the Army needs quiet the least of all, despite the fact that around 500 professional soldiers are leaving it each month (the majority at the most productive age and at their own request). Not even considering the fact that the interest of young people in serving in the Army is also minimal. And finally despite the fact that the commanders are sinking in rumors and disinformation, but these are just an expression of the chaotic personnel work and the information vacuum in the regiments.

The highest staffs of the Army, in contrast to the divisions and units, after November 1989 enjoyed even excessive quiet. Not that nothing changes in the Army, as the radical assert, but at the staffs, not excluding the special services, matters often took place which did not contribute to anything and not infrequently demoralized the remaining specialists. It therefore finally did not amount to much at all of that which, on the contrary, should necessarily have taken place. General Nekvasil thus is faced with the basic question as to whom he should ask for assistance for himself when the existing personnel at the General Staff do not enjoy the trust of the defense and security committee of Parliament and, according to everyone, not that of many of the division or brigade commanders as well. They also maintain that as long as there will be people whom they do not trust professionally or as people at the highest staffs (not excluding the General Staff), nothing in the spirit of the Czech Army will be changed, even despite radical reorganizations. Jiri Nekvasil, who is relatively unencumbered with relations with the Defense Ministry and the General Staff, has the sole chance to surround himself with new people capable of hard work and conceptional thinking, but also of a critical reevaluation of their own attitudes prior to November. The arrival of young experts (Nekvasil says that favors them) could become the sign which has been so awaited to address the up and coming officers. Just in the regimental-level units of the Slany and Karlovy Vary divisions there has literally been a clean sweep of the platoon and company commanders (there they call them a dying breed of "brood stock") and filling the key logistical positions is also critical. In such a situation, it is debatable to speak of readiness for action of those (and obviously not just those) division level units, with part of their independent battalions disintegrating from the personnel standpoint. There is no sense in lying about this; at stake is the fate of the Army, the security of the CR, and thus also its prosperity.

The departing General Pezl is right when he says (undoubtedly under the impression of unfair attacks) that the Army occasionally needs to be smoothed out. It of course needs even more an intelligible concept which offers a future to capable people and a decent separation to those who are inadequate or are just hanging on. The threatening departures (the defense and security committee of Parliament compares it to an epidemic) are not caused only by the higher salaries in civilian life, as the

minister of defense supposes, but also by people's loss of belief in any kind of changes and the absence of their motives for serving.

"A capable officer expects from the Army that it will 'commit' him to a cohesive team in which he has access to top quality equipment or, at least, information. Money comes in only secondarily," say high ranking officers in his own department who refute the defense minister (they do not wish to be named). And the majority of the experienced pilots are headed for civilian life (including the air force commanders) where they are retrained for commercial aircraft and almost all of the officers of the border regiments have given it up and gone into the police. The majority of the graduates of the Western academies are also gone, but the newest students of our military schools (and this is not just a matter of individuals) are likewise leaving. It is hard to say whether it is possible under similar circumstances to be content with the statement, "Nothing is going on and society is not losing these specialists. It will just have them some place else." Of course, it is also possible to express this so as to say that the Army possibly knows how to get rid of incompetent or compromised people, but so far does not know how to address the specialists with a future. It is no wonder that even capable people in the immediate proximity of the minister of defense succumb to this confusion as well when they have had their heads turned in the jockeying for the top jobs, so that they are actively lobbying in Parliament and deliberately rejecting the positions offered as not adequate to their ambitions.

The Army is essentially a conservative institution. It takes a long time finally to get moving on something and it likewise is then hard to put the brakes on once it gets rolling. The starting up of the Czechoslovak and, then later, the Czech Army was, because of the most various influences, quite full of contradictions. Nonetheless, it is not a matter of starting up a child's top which can be set right rapidly and without far-reaching consequences after it falls down.

*** Klaus Sees Good Economic Policy as Best Social Policy**

93CH0806C Prague EKONOM in Czech 30 Jun 93
pp 20-21

[Article by Vaclav Klaus, prime minister of the Czech Republic: "The Best Social Policy Is a Correct Economic Policy"]

[Text] This year, the Ludwig Erhard Foundation awarded the Ludwig Erhard Prize for economic publicity to Czech Prime Minister Vaclav Klaus and Hans Mundorf, the editor in chief of the periodical *HANDELSBLATT*. On the occasion of receiving the prize on 27 May in Bonn, Vaclav Klaus made a speech in which he pointed out the parallels between the postwar period of reconstruction in Germany and the current stage of transformations taking

place in the postcommunist countries, but clearly stated the reasons for his rejection of the word "social" in connection with a market economy being created in the Czech Republic [CR]. The dispute surrounding that adjective incorporates the dispute regarding the method of transformation of the former society into a market society, and that is why we are reprinting the full text of his speech.

There are only a few world politicians and economists whom I respect as much as Ludwig Erhard. There are only a few events in European history that have the kind of significance for the postcommunist countries in their present-day efforts to rid themselves of the burden of the past as the reconstruction of Germany, which had been ruined by fascism and war, the rebuilding of the German economy, the very foundations of the German people, that was accomplished by Ludwig Erhard. That is why receiving that highly prestigious prize connected with the name of Ludwig Erhard is so much appreciated by me personally and, I believe, by the country I represent here today.

Fundamental Concept of Politics

Before I permit myself to mention a few of the specific ideas and actions of Ludwig Erhard that I consider even today, or perhaps precisely because of today, to be extraordinarily topical, I would like to stress something more general that is connected with that great personality of European history of the 20th century. I would like to mention Erhard's understanding of politics as such—in other words, not only his specific views, but primarily the method for asserting politics, the practice of politics. In the difficult time of postwar reconstruction, Ludwig Erhard understood that a politician, a responsible politician, must accomplish something positive, that politics must be creative and daring. He understood that it could encounter disapproval on the part of many partial interests, that he must expand on that which is possible, and that he must not become contentedly sanguine within the existing system and only try to satisfy the most vociferous pressure groups by making one concession after another. It seems to me that it is precisely today that Europe as a whole, and, thus, not only its easternmost portion, as is customarily mentioned in a simplified manner, needs such an approach. I personally am trying very hard in that area, and, for me, Ludwig Erhard has always been a great and, of course, peerless example, particularly in that connection. One must know that a politician must not always expect only approbation, praise, and pats on the back, that he must be prepared for that eventuality, and that he must constantly risk his political life. I am afraid that today another, a far more careful, far less principled concept of politics is prevailing. Politicians tend more to maximize the number of years spent in office rather than maximizing the number of daringly asserted political initiatives, and that is why they attempt to satisfy the strongest lobby groups—at the expense of the whole, at the expense of all.

It was precisely that that was one of the strong themes put forward by Erhard. "Freedom does not mean a loss of responsibility; freedom always means obligatory self-sacrifice for the good of all" (DIE NEUEN TATSACHEN, 1948). Ludwig Erhard knew that well-organized interest groups are less occupied with maximizing the social product than with maximizing the redistribution of that product to their benefit and at the expense of others. The successful conquest of the state citadel by those private power organizations was considered by Erhard to be tantamount to breaking up a compact society into a society of particularism. An aggregate system gives way to a pseudosystem, partial components prevail, and there is "new feudalism." Ludwig Erhard knew very well what even we know well—namely, that such an ungluing of society very readily leads to state directionism and collectivism.

The Dispute Surrounding the Adjective "Social"

All of this is very topical for us in the postcommunist world, but no less so in today's West Europe. Just as Erhard did, we must criticize the principle of a caregiving, paternalistic state, and, as he did, we must proceed very sharply against the excessive redistribution of the produced product, a redistribution accomplished for reasons of shortsighted political utilitarianism. Ludwig Erhard knew that very well, and he nevertheless came up with a concept of a "social market economy" that represented the fundamental pillar of the social order in postwar Germany. That very concept is used against us, somewhat as a paradox, when we are striving to achieve something similar to what Erhard strove for a half-century ago: the creation of a new social order, the fundamental rejection of the past.

Ludwig Erhard predicted all of this because he was aware of the danger of using that term, and that is why he fittingly said that "that label will be affixed to bottles that have a totally different content" (DIE SOZIALE MARKTWIRTSCHAFT, 1976). It is precisely that distortion of concepts that we are witnessing today.

The dispute surrounding the method of transforming a communist regime into a free society and a market economy in East Europe today involves the dispute regarding an adjective that is added or not added to the words "market economy." If I say "a market economy without any adjectives," I am not polemicizing with Ludwig Erhard but, rather, with his present-day interpreters or pseudointerpreters, who intend to use the adjective "social" precisely to assert economic dirigism, protectionism, and interventionism. In our domestic context, the adjective "social" is essentially used to cover over a view that should more likely be called "socialist." If I say that, then I must stress that we never denied the necessity of conducting appropriate and effective social policy. Of course, we have such a policy in the CR, and, if we have any doubts regarding it, those are focused only in the opposite direction—as to whether that policy is not exceedingly soft. In any event, we are conducting the kind of social policy we can afford financially today—in

other words, without deficit financing, which is popular in the short term, without irresponsibly going into debt at the expense of the future.

Ludwig Erhard knew well that the best social policy is a correct economic policy; he placed emphasis not on an "equitable" system of redistribution (because nothing of that sort exists in human society and cannot exist), but on increasing the product produced so that there would be a greater amount available for redistribution. If I interpret that properly, Ludwig Erhard attacked what he called "the old, dusty social policy," which deals only with redistribution. He did not emphasize redistribution, but the "multiplication of the economic results." That is why he said that "the more successful economic policy is, the more the social policy in the old sense becomes superfluous." In 1953, Erhard recalled that "the freer an economy is, the more social it becomes." Erhard did not consider it necessary to correct a market economy through social policy. He merely wanted to augment it on a systems basis. I fully agree with that, and it is precisely that that we are successfully striving for in our country—in the CR.

Differing Conditions

In the radical social, political, and economic transformation in the postcommunist world, which we are conducting today in Central and East Europe, we must use the Erhard policies to confront precisely the same criticism he had to face with the same policies in his time. I know that, in 1948, inch-tall headlines in the German press proclaimed that "Professor Erhard is ruining the economy," which is very close to the criticisms regarding the unnecessary belt-tightening that is aimed against me. But the facts are quite different. In both cases, different slogans were involved, slogans about "rolling up the sleeves," slogans mentioning the positive, active participation by every single free citizen. It was not for naught that Erhard said that prosperity is not a gift from the state but, rather, the result of free initiative by self-aware citizens.

Some things were more difficult for Ludwig Erhard than they are for us; some things were easier for him. The country was more devastated, the general feeling of guilt with respect to the past was stronger than it is in our country, the country was occupied, but, on the other hand, it can be said that the period of lack of freedom was far shorter and that private ownership had not been done away with (and that is why there did not have to be such fundamental privatization). It can be said that the country was at the zero point rather than being in the period of "goulash" socialism, the comfortable undemanding life of latter-day socialism, with its ideological emptiness with the weakening of its dangerous aggressiveness, with its slow and delayed, albeit existing, participation in the fruits of the technical upsurge of the 20th century.

Erhard had different conditions in still another way. Germany was surrounded by countries that wanted to assist it, that were engaged in reconstruction in the

Marshall Plan era, during the period of success recorded by the Brettonwood system and during the GATT period, and, thus, also during the time of tremendous liberalization affecting world trade. The postcommunist countries in the 1990's failed as a whole (and began to lose their mutual markets) and are confronted by a retreat from foreign trade liberalism; by expressly protectionist tendencies; by thoughts of managed trade on the part of the new U.S. administration; by the European Community, which is closing itself off; and by creeping recentralization, which is appearing in it, particularly in the Maastricht era of today. Unfortunately, that tends to place them in a very unpleasant situation.

I cannot imagine what the position of Erhard would be on the unification of Germany and the transformation of its eastern territories. He would undoubtedly stress self-responsibility and self-help, the strength and will of free citizens to organize their own lives and the necessity to carry the risk of their own lives; he would be afraid of unfavorable secondary effects brought about by extensive financial transfers, on both the givers and the recipients; he would note the paralyzing consequences of an externally organized transformation of society, and he would remind us that the greatest value is not in rapid national unity but lies in the free decisionmaking and free management of individuals. In any event, he would opt for fundamental solutions, solutions that are not half-measures, solutions that are daring, and, in that, we all have much to learn from him.

And, if the Ludwig Erhard Prize is the prize for economic publicity, it is a task for all of us in our publicity activities to disseminate Erhard's thoughts and approaches all about us and to preserve them in their living form for subsequent generations.

*** Economics Minister Rejects Protectionism**
93CH0806E Prague EKONOM in Czech 7 Jul 93
pp 15-17

[Interview with Vladimir Dlouhy, minister of economy of the Czech Republic, by Eva Klvacova and Irena Satavova; place and date not given: "Protectionism? No!"]

[Text] *The citizen as a consumer wants to find the broadest assortment of goods in the market, including foreign goods. He wants to see competition among manufacturers. That same citizen, as the owner of a Czech business or an employee of a Czech business, longs to acquire a monopoly, longs for protection against competition, particularly against foreign competition. A practical economic policy is like a walk along a knife blade: On the one hand, it is the primary role of the state to protect free competition, and, on the other, an adequate level of demand for domestic products is conditioned for the successful functioning of the economy. The name of Minister Vladimir Dlouhy is being connected with a "Buy Czech goods" campaign.*

[EKONOM] What is it that the state is allowed to and not allowed to do? What does it want to and not want to do? What can it do, and what can it not do to have its citizens buy domestic goods?

[Dlouhy] The immediate reason for the government being interested in the question of the competitiveness of Czech goods and, thus, even the origin of the campaign to support that competitiveness lies in the development of foreign trade in the first quarter of this year. On the one hand, there was a decline in exports, and, on the other, there was an increase in imports. We do not have the precise numbers; we lack data from Slovakia, and there is the problem of comparability in terms of last year's figures. But, approximately, we could speak of an 8-to-10-percent drop in exports and a similar growth in imports. When we looked at the structure of the growth in imports, we found that it was not the importation of key technologies or capital goods that was increasing but, rather, consumer goods. In a situation when the balance of trade is deteriorating and the structure of imports is signaling that we are "eating up" our imports, that we are consuming them, the economists responsible for economic policy must pause and ponder over those developments. That was the completely specific reason I decided, after much hesitation, on a certain hoisting of the banner of Czech goods, why I agreed to the campaign to make it more visible. However, at the very beginning of our interview, I would like to remind you that the intention was to do no more than draw attention to a certain circle of Czech goods that, from the standpoint of quality, price, and availability, is fully comparable with goods of foreign origin.

[EKONOM] What specifically do you visualize under the concept of "drawing attention to Czech goods," and how do you intend to realize that objective?

[Dlouhy] After 40 years of this society being cut off from access to truly good offerings on the world market, Czech goods still suffer from a rather disparaging reputation. Some journalists were writing that the goods are anonymous and that I am attempting to make them positively nonanonymous. They wrote that I was trying to make them more highly visible. But Czech goods are not anonymous, they are negatively anonymous, they have had the mark of badness burned into them ahead of time. I believe that, by waging that campaign, I shall be successful in ridding Czech goods of that mark and that they will be able to become as anonymous as all other goods. What is involved here is overcoming a psychological barrier that exists in the minds of the Czech people with respect to Czech goods. What matters is that Czech products be approached without prejudging them; the consumer should make a comparison with foreign products without prejudice.

[EKONOM] In your opinion, what types of methods and instruments can be used successfully to render Czech products more visible?

[Dlouhy] There are three types of goods on our market. The first group includes both domestic products and foreign products, with foreign products being unequivocally of better quality. Normally, they are also unequivocally more expensive. I would not speak about that group of goods. Selection is a matter for the consumer. Automobiles are a typical example. If someone wants to save up for a better foreign automobile, I do not want to and will not tell him to drive a Favorit. What is a little different are the Tatra automobiles, which were previously used by the government and are a kind of symbol, but, generally, I would not mention that type of goods, either. Then we have a second group of products for which there is no Czech substitute. That can be so for a number of various reasons. Mandarin oranges do not grow here, and it is impossible to buy Czech ones. Some goods are not manufactured, and some are preferred as export items by exporters, which, by the way, sometimes bothers me when I visualize that those goods could be available on the domestic market. But, where a domestic substitute is lacking, people will regularly buy only foreign goods. And it is only the third group of products, which includes comparable domestic and foreign products and has people frequently giving preference to foreign goods only, thanks to a psychological barrier, that makes them reject buying Czech goods.

We want to render products in only that third group more visible. We invented the designation "Czech-made" as a slogan for a quality product and want to position it on the packaging of such products that an objective evaluation commission designates as being comparable.

The logos for those products are created in a competition. I have accumulated approximately 1,000 proposals, ranging from those that are naive, through those that are of high quality and that were produced by key creative artists. The best will be selected by the evaluation commission, which is headed by the foremost Czech heraldic expert, Docent Palat. At the same time, I have appointed a preparatory commission to compile the evaluative objective criteria, which includes specialists from the Association for Quality, people from the Institute for Standardization and Measurement, people from the Czech Commercial Inspectorate, representatives of agricultural institutes (incidentally, food products are a group of products where comparability is most likely), employees from my ministry, and others. The criteria and activities of that commission will be formalized very rapidly. We are preparing a set of products to be submitted to the first evaluation. I believe that during July we could assign the Czech-made quality symbol to the first products. We would not want to see that done once and for all but would require the recipient of such a designation to repeatedly prove the quality of the product involved.

[EKONOM] How do you intend to make sure that the commission evaluations are independent evaluations? There are some rather bad reminiscences there involving evaluations of technical progressivity and the assigning

of goods to quality categories. Those products that were highly evaluated were frequently unsalable, even in a centrally planned economy, and given protection against foreign competition. In this country, there are not so many people who would be dealing with quality evaluation. We have a feeling that the prepared evaluation process would be entered by the same people and would be engaged in by the same state testing facilities. And we all know that the majority of the state testing facilities were, in practical terms, loyal to their ministries and not exactly abounding with independence.

[Dlouhy] Your question is quite appropriate. If I have to identify the main reason for my doubts and my hesitation regarding the utility of the entire campaign, it would be precisely those of which you spoke. But the situation today is just a little different. First, the typical ministerial purviews no longer exist; they have been replaced by the Ministry of Industry and the Ministry of Agriculture. Second, the ministry-controlled industry system has at present already lost a substantial portion of its strength (without wishing to underestimate it). And third, I agree with you that it is the same testing facilities and the same people, but I nevertheless know that, even in the testing facilities and other evaluating institutions, the ice has shifted a bit as a result of a change in leadership. Of course, the evaluation groups will be staffed by human beings, and they will be susceptible to being influenced by various interest groups. That is, of course, the risk of the entire campaign. In my opinion, a sensible defense is the maximum possible amount of autonomy given to the decisionmaking process. Although I had always fought against all systems engineers and people who want to "computerize" everyday decisionmaking, it is likely to be appropriate in this case. Even at the risk that this would be too large a hatchet for such thin splinters, it is possible to propose 10 to 20 evaluative criteria, to assign specific values to them, to use standard methods of multicriteria analysis, which is a routine matter, and to evaluate the results by computer. Of course, you can raise the objection that the problem of objectivity is shifted from the evaluative commission to the employee who is engaged in judging a specific product. But it is already a bit more difficult to exert an influence. In any event, if I want to avoid the criticism implied in your question, I must travel the path of maximum objectivity and automation applicable to the entire process.

[EKONOM] Providing higher visibility for Czech-made goods is a delicate instrument for purposes of reviving demand for such goods. It is, so to speak, a weapon of extremely light caliber. Do you intend to use a heavier caliber weapon? For example, measures of the type related to industrial and structural policy? There is no reason to doubt that those measures are a problem, particularly the restriction of competition, the disruption of market signals, and the fact that they generally conceal pressures by the most varied lobby groups. On the other hand, they are more than frequently applied, even by economies that are liberal in character.

[Dlouhy] We are preparing a large export policy project. Its first step, the creation of the so-called second division of EGAP [Export Guarantee and Insurance Corporation], which is a sort of rudimentary equal of the EXIM Bank, which exists in a number of market economies, insures against risks involved in foreign trade, and fulfills a number of tasks in support of exports, has already been achieved. We are contemplating other possibilities to support exports; part of that problem will be solved by Minister Dyba and part by myself. Export support is extremely important. As soon as people find out that high-quality Czech products are capable of asserting themselves even in foreign markets, that will result in additional feedback with respect to their conduct at home and a revival of domestic demand.

[EKONOM] Support for exports by creating a second division of EGAP is very interesting. However, will state guarantees and state participation in supporting exports not be excessively large? Will the state not be assuming responsibility for some Czech exporting enterprises, which are not of overly high quality and not overly solid, or for not overly high quality in solid foreign customers?

[Dlouhy] I would not wish to speak in detail about individual specific instruments, but I would like to somehow mollify those fears. In my travels, when I am attempting to shape the trade policies of the independent Czech state primarily by supporting contractual general outlines where that is necessary, I am finding out a lot. Our manufacturers frequently lose pace with the competition not because they have high expenses and low quality, but because they lack the same credit and guarantee policies available—for example, to companies in the most advanced West European countries. I have in mind now primarily foreign trade involving developing countries or countries of the former Soviet Union. As long as we do not create similar conditions for our manufacturers as those enjoyed by the competition, we will not succeed in those markets and will be forced out of them very quickly. I therefore consider it to be correct for us to have taken this step, for us to have attempted to provide a certain financial security for exports. But it will not be so easy and will not happen so quickly; the state budget does not have overly many resources to allocate to initial support, and there are a number of other problems as well. Then there are additional steps I would like to take. I would like to see agreement on the rediscount of bills of exchange, I would like to create additional opportunities for financing such supportive actions as trade fairs, assuring information bases, and a number of other matters connected with support for exports.

[EKONOM] Many manufacturers of Czech goods will feel that the solution you have selected, which is based on rendering their products more visible, and your export policies are inadequate. They will be protesting and will be striving for a higher and more effective form of support. How will you respond to them in this case?

[Dlouhy] Perhaps first on the question of industrial structural policy. Where we have to conduct that policy, we are doing so—in heavy industry, nuclear energy, coal mining, metallurgy, petrochemistry. If someone criticizes us for not having an energy policy, let him read the 300-page report we worked out just for Temelin alone. But I do not believe that, on the level of medium-sized enterprises, at the level of the standard processing industry, we should have any kind of industrial policy. We lack the resources for one. We do not have and never will have sensible criteria according to which we could implement such a policy. It would be subjective and would lead nowhere.

[EKONOM] The most effective method of compelling a domestic consumer to buy domestic goods is protectionism in its most varied forms. The centrally planned economy closed the borders against an influx of foreign goods. The Slovak economy instituted an import surtax. Japan resorted to protectionism after World War II, and later so did the Asian tigers. Currently, our neighbors are resisting importing certain types of Czech goods.

[Dlouhy] I will tell you quite unequivocally that I consider the presence of competition in our market to be absolutely essential and that the "Buy Czech goods" campaign will not be accompanied by any protectionist solutions. Although I am collaborating in this campaign with the Association for Industry, I am prepared to meet with them at any time if they believe that protectionist measures should be introduced, be they of a tariff or a nontariff nature. If we were to again surround this country by some kind of new iron curtain, domestic manufacturers would not be operating under the pressure of competition. Although people would be buying their product because they had no other choice, in the long run, that would lead to protecting technical obsolescence rather than to positive changes. Furthermore, protectionism of any kind of more massive character would not be possible anyway because our trading partners throughout the world would react to it immediately, and the result would be a boomerang effect, particularly in the relationship involving our manufacturers.

[EKONOM] Much can be done to revitalize the demand for Czech goods. The greatest benefit would be derived from a change in their quality. However, the management of hitherto unprivatized state enterprises is not orienting itself to those changes until the very end. It seems as though the primary goal of those managements is to assure high wages for themselves as well as for their work crews. The fact that they are producing low-quality goods or perhaps not producing anything at all and that the enterprise is losing more and more money every day does not seem to interest many enterprises. What can be done with enterprises of that type? Will you undertake personnel changes?

[Dlouhy] In problematic enterprises, we shall toughen up managerial agreements. Those enterprises are defending themselves by saying that changes in accounting were accomplished between the last quarter of last year and

the first quarter of this year. They argue that they were notified late regarding the character of wage regulation, which forced them not to make bonus payments. They claim that, for that reason, they had to pay the bonuses in the first quarter; they claim that seasonal influences have an effect here and that the annual average looks different. So we are going to try to toughen up the agreements and the entitlements to a share in the profits, and managements will only have fully concluded agreements in hand if they bring the annual average of wage payments into harmony with the annual result.

[EKONOM] Do you not have the feeling that Czech goods would be best assisted by accelerating privatization? As a rule, private manufacturers prove more capable of caring about the quality of their goods than does the state.

[Dlouhy] Yes, yes, yes!

* Changes in Economic Statistics Explained

93CH0824A Prague HOSPODARSKE NOVINY in Czech 7 Jul 93 p 8

[Article by Jarmila Lehnerova, Czech Statistical Office press spokesman: "Why a Change Was Made in Statistical Data for the First Quarter of 1993"]

[Text] *At the present time, users of statistical data place emphasis on its being presented as rapidly as possible following the conclusion of the reporting period. That is why the CSU [Czech Statistical Office] sometimes publishes data on a preliminary basis or even presents orientational estimates based on incomplete data. The accuracy of this kind of reporting is understandably limited. Moreover, even when complete data are processed, various errors and omissions can occur which must later be corrected.*

The interyear decline in industrial production for January 1993 was originally reported as amounting to - 4.7 percent and, after correction (by eliminating duplicate reporting of data covering the CEZ [Czechoslovak Electric Power Plants, national enterprise]), the figure was corrected to - 10 percent. Similarly, the originally published data on the decline in industrial production for the first quarter, which was - 8.1 percent, were later corrected to - 5.7 percent, after finding that, although the value-added tax was correctly omitted from the price index which was used (deflator), consumer taxes, which had previously been deducted from the sales tax, should have also been left out. In the meantime, an orientational estimate was worked out with the assistance of a composite natural indicator which indicated a decline of only - 2.1 percent. After processing reports which arrived subsequently, the final decline of production for the first quarter is at - 4.6 percent.

The gross domestic product (GDP), which only includes the value of industrial production added as a result of processing (in other words, not the value of intermediate products), needs to be differentiated from industrial

production and also includes production from all other sectors, including the service sector. That is why the growth or decline of the GDP generally tends to be smaller than is the case with industrial production. The orientational estimate of the GDP for the first quarter of 1993, which was worked out with a three-week head start with the aid of the composite indicator (incorporating five indicators representing approximately 70 percent of the GDP formation as well as utilization), indicated that the interyear decline was running at 5 percent. However, this estimate was also worked up on the basis of data which were subsequently corrected (industrial production, retail sales, and particularly exports). The new computations made after plugging in the data which have been made more precise indicated a decline of only - 1.9 percent. Preliminary data on the basis of the relatively complete balancing processing shows a decline of - 2.4 percent.

However, in the above-listed preliminary data on the GDP the currently processed correction of the index of construction output, which could cause the reported decline in the GDP to drop several tenths of a point, is not reflected for the time being. The correction is based particularly on adjusting the time frame of the price index for construction work on the basis of direct investigations, which have shown that the development of wage costs in the monthly estimates of the price index in 1992 and 1993 was not adequately taken into account. Moreover, the correction reflects the use of a special deflator for production reported by construction enterprises employing fewer than 25 workers as well as reflecting the complete processing of the reports. The aggregate of the aforementioned corrections will intensify the originally reported decline in construction output for the first quarter of 1993 (- 9.6 percent) by several percentage points.

In the physical volume of retail trade, in place of the originally published decline by - 1.6 percent, the CSU is now indicating an interyear growth of 1 percent. The reason for the correction was the finalized computation of sales in organizations where commercial activity is not predominant and, thus, is not currently being reported.

The greatest correction of data occurred in foreign trade. Customs statistics, in addition to showing the usual problems involving completion of data for the first months of the year, had more complicated problems this year involving changes in the customs regime and in the customs rate, difficulties involved with the introduction of the value-added tax as well as those resulting from the breakup of the federation.

The processing of data, which is done on a monthly basis, results in the reporting of data from the Unified Customs Declarations in the appropriate months and, as a consequence of errors, these data have not yet been processed. According to data processed as of 25 May 1993, the first quarter 1993 index for imports (excluding Russia), when compared to the data processed as of 25

April 1993, changed from 121 to 122.4; the interyear index of exports, however, changed from 96.9 to 113.7. The greater rate of error for data having to do with exports results from different technology being used to process export and import declarations. To a lesser extent, the original data on trade with Russia also increased (more so for exports than for imports).

If we summarize this development, we must break down the causes for the changes in published indices into two categories. On the one hand, this involves situations which will not be repeated (the erroneous computation of the deflator, the immediate effect of the breakup of the Republic). Furthermore, however, there is the effect of the tradition of publishing numbers which are considerably preliminary in nature. In this regime of publication, we must plan on such changes on a regular basis; and, even though it is certainly possible to render the working procedures more precise or to improve the relationships with respondents and thus to minimize this effect, changes between preliminary and final data will, nevertheless, always exist.

Following detailed negotiations with the principal users, it will clearly be necessary to establish a more precise regime applicable to the publication of preliminary data and, what is of particular importance, to designate these data as such. The Czech Statistical Office will deal with this question in the concept which it is preparing and which is designed to make future data more intelligible and thus even more credible.

*** Problems of Integration in World Economy Examined**

93CH0824C Prague EKONOM in Czech 7 Jul 93
pp 20-21

[Article by Jiri Chlumsky: "Protecting the Domestic Market Is Not a Crime"]

[Text] *Pre-November developments in Czechoslovakia clearly showed the catastrophic consequences of economic isolation upon the entire development of the economy. Extensive and, if possible, rapid integration of our economy with the worldwide economy is accepted by all as an unequivocal essential. Without it, we would be condemned to further and even more intensive obsolescence. The process of opening the economy to broad international cooperation is connected with the solution of a number of problems. One of the most complicated problems is the necessity to protect our economy temporarily against competition by the economies of mature developed market economies. Without protection, it would be impossible to maintain a balance of trade and a balance of payments, and the entire economic system would soon be disrupted. It is extraordinarily difficult to resolve the compromise between the broadest possible and most rapid opening of the economy on the one hand and its protection on the other hand.*

To protect themselves, countries whose development is considered to be average and whose problems involved

in the process of opening their economies are virtually identical with ours made use of two approaches. On the one hand, they used traditional protectionist measures, such as customs duties, quantitative restrictions, and various nontariff instruments; on the other hand, they lowered the exchange rate of their currency below the level of parity of the purchasing power. The specific approaches were always a certain combination of both of these measures. The absolute majority of economically successful countries also made broad predominant use of the first method, augmented by a very intensive proexport policy. The second approach was used only as an exception to the rule, but it was this approach that was characteristic of the majority of European postsocialist countries at the beginning, and, among these countries, it was also characteristic of the Czech Republic.

The predominance of such an approach has a number of understandable causes. I would like to mention some of the more important ones, even though their enumeration cannot by any means be exhaustive.

Why We Are Rejecting Protectionism

Above all, a significant role was played in this case by the fear of ineffective state bureaucratic intervention. These fears have their general origin in our pre-November experiences. But an important role could also be played by a finer consideration. The success of traditional protectionist measures depends to a great extent upon their quality and it, in turn, requires a great deal of experience and the corresponding staffing of appropriate institutions. The nonexistence of these institutions for entire preceding decades surely contributed automatically to the justified fear that such interventions would be ineffective. The impersonal method used for the relative depreciation of the currency could then appear to many a politician as well as to economic theorists as being a more agreeable form of protectionist measures.

Undoubtedly the classic notion regarding the theory of comparative costs also contributed specifically to the conviction that the impersonal pricing mechanism is effective, even in areas of international economic relations. Many liberal Western theoreticians supported this way of thinking very vehemently. In the postsocialist countries, where the institutional structure of the market economy is newly taking shape, they saw a chance for implementing the ideals of liberal market notions which would not be disrupted by historically developed state regulatory interventions as is the case today in virtually all developed market economies. This notion was also substantially supported by many international economic organizations that play a significant role in carrying out the economic transformations taking place in postsocialist countries.

But there is yet another circumstance which had a substantial influence upon our approach. This is the heritage of protectionist measures which had its historic origin in the period prior to 1948 and which inertia has preserved. However, during that period, our economy

enjoyed a relatively good standing in Europe, and our economic policy did not have to make use of stronger protectionist measures. And so, after November, we inherited an economy with customs duties at the level of those in the most developed market economies, with a totally undeveloped structure of quantitative restrictions (this made no sense in a regime of foreign trade monopolies) and devoid of any kind of experience in the use of nontariff protectionist measures.

All of these circumstances, together with a number of other influences, resulted in the fact that, in 1990, primary use was made of a specific devaluation of our currency in order to protect our economy and to stimulate exports. Traditional protectionist measures and proexport interventions were utilized only minimally, regardless of the fact that the Scenario of the Economic Reform counted on them. Such a one-sided form of regulation applicable to our foreign trade relations, however, has a number of negative consequences. I would like to draw attention at least to some of the more important ones.

The first circumstance is the fact that the developed market economies are far from being free of protectionist measures which deal primarily with the importation of so-called sensitive types of goods, such as agricultural products, textile products, and metallurgical products. The stagnation in Western markets tends to strengthen these tendencies. Antidumping legislation, which, among others, ascribes a dumping characteristic to the undervaluation of our currency, is one of the highly effective protectionist instruments. An example of such a development and its consequences for our economy is showing up frequently today in the daily news reports, and it is not necessary to dwell on this factor any further.

Another consequence is far more important and is undeservedly receiving little attention in our discussions. Devaluation results in the enormous danger that a devaluation-inflationary spiral will develop. This can only be prevented by a more specific lowering of production costs. During a period of stagnation and declining economic activity, the only available method is to lower real wages. The development of the economy in 1991 adequately aided this process and, together with a certain albeit marginal assistance provided by state wage regulation, it was possible to attenuate this devaluation-inflationary spiral relatively early. However, the consequence was a further narrowing of the domestic market, a decline in economic activity, as well as in investment activity. However, the balance of trade was able to show a relatively successful development because by lowering real purchasing power of the population, together with a decline in demand for capital investments, the growth of imports was adequately restricted.

Illusion and Fact

Such a situation, however, has dangerous consequences for future development. The growth of real wages and

the revitalization of investment activities will automatically mean a deterioration in the balance of trade. If the principal characteristics of the originally embarked upon foreign trade policy are retained, this would mean either the necessity for further devaluation (with all of the above-mentioned consequences) or a substantial reduction in economic growth. This would, thus, act as an intensive brake upon the renewal of dynamic economic development.

Many illusions are also connected with evaluating the influence of devaluation upon export efficiency. I have already mentioned the protective measures taken by economically developed countries. Because a substantial portion of our exports involves particularly the "sensitive" items, this limitation is significant. But there are also other reasons for reducing the influence of devaluation upon export efficiency. Price advantaging can be effective, primarily with respect to more or less homogeneous products where qualitative differences either do not exist or are easily controllable. This involves primarily raw materials, semifinished products, or simple products. In the case of more complicated products, the quality of the brand, good advertising, an extensive dealer network and personal contacts, an established repair and servicing base, and so forth, play a decisive role. In such cases, lowering the price, which is facilitated by devaluation, only plays a subordinate role.

Finally, it is necessary to adjust somewhat the notions regarding the international market acting as a purely competitive mechanism which functions on the basis of traditional neoclassical notions. At the very least, since the introduction of the concept of transaction expenditures, the notion of a functioning market has been far more realistically asserted in theory. It turns out that transactional costs create the necessity to replace or augment direct market relationships with contractual ties. Every enterprise represents such a unit of contractual origin within which the functioning of market relationships is limited by contractual ties. The same is true for international trade. In developed market economies, it was estimated as early as the beginning of the 1980's that contractual ties in the form of intracorporate turnover reported by supranational corporations, or in the form of advanced contractually secured intercorporate cooperation, represent at least some two-thirds of the total turnover involved in the international trade engaged in by these corporations. To penetrate these contractual ties, it is obviously not enough to have highly unstable product price reductions which depend upon a devaluation which cannot be long maintained.

Long-Term Effects of Devaluation

All of these circumstances substantially lower the long-term effectiveness of devaluation in terms of the growth of export efficiency. The latter can be significant only if the above-named problems are resolved to satisfaction. Even a relatively small devaluation can be effective in contacts among economically developed nations because individual firms there are already well anchored in

society's awareness, there are existing infrastructure prerequisites for expanding the sale of products, and contractual ties are in a relatively good state of development. For countries which are recently entering this universe, these conditions are virtually unattainable.

And finally, it is necessary to state that protecting the economy with the assistance of a relative depreciation of the currency can never be a stable thing. Our relatively considerable participation in the international division of labor must lead to the gradual assertion of the influence exerted by higher import duties even on domestic price levels. The effectiveness of devaluation is gradually lost. Today, as a consequence of more rapid internal inflation, the parity of our purchasing power is approaching the relative level achieved prior to devaluation. The external balance of trade is maintained today primarily thanks to a deep decline in the real purchasing power in the domestic market and as a result of extremely low demand for investment. Such a method of maintaining the external balance extraordinarily limits the room for a government policy aimed at revitalizing the economy.

The preceding considerations clearly indicate that even traditional commercial protectionist measures must have their important place in any kind of effective policy aimed at opening the economy. I would like to remind readers again that this thesis was contained, albeit in somewhat softer form, in the Scenario for the Economic Reform, even though its practical application and theoretical justification under our conditions have tended to lag behind.

This entire problem is beginning to be highly topical under current conditions. If, sometime in the future, our economy succeeds in "rebounding from the bottom" or at least in raising its head, it is highly likely that this will result in serious external economic imbalance. To solve this, we should be prepared ahead of time, both theoretically and also in practical terms. The method chosen to resolve this imbalance can exert an express influence upon the pace, the image, and, in a shorter time frame, also the fate of economic revitalization.

The pragmatic approach by the government in the most recent period provides hope that it is capable as well as willing to make use of supplemental measures to protect our newly developing economic structures. To resolve these problems in the period of today's economic stagnation and failure in the majority of cases, partial ad hoc interventions which are inconsistent and random in character are sufficient. A revitalization would confront us with the question of external economic balance with extreme urgency and on a much broader scale. That is why it is high time to begin dealing with the strategy of our conduct in this period in more detail.

We and the World

Naturally, the method of opening the economy also has important international dimensions because we must

convince our Western partners and international economic organizations of the strategy of our approach in external relationships, at least in rough outline. From the words spoken by the prime minister regarding the fact that in future there must also be changes in the Western economies, it can be judged that the government is well aware of this problem. The method of making the transition to full West European integration must be created together by us, all the more so because, to this day, the European Community does not have a more specific generally accepted notion regarding this process. If we want our notions to have a chance to be realized, it will be necessary to create even stronger international support for their assertion. The Visegrad Group offers itself as a natural platform for the creation of such a joint approach.

The opening up of our economy has many economic, political, and international contexts which are in need of accelerated discussion and verification; at least in their idealistic verbal form, and from which variations which are not appropriate or are economically and politically too costly must be excluded. From this standpoint, it is high time to initiate such discussions as rapidly as possible so that the revitalization of the economy would not catch us unprepared, so that we would then not hastily select a procedure which might be far from being optimal or might even be downright damaging.

*** Commodities Market Opens for Business in Brno**
93CH0806A Prague HOSPODARSKE NOVINY in
Czech 29 Jun 93 p 9

[Article by Jan Syc, chairman of the Brno Commodities Exchange Chamber: "Conditions Are Being Created for an Agricultural Market—The Brno Commodities Exchange Is Open for Business"]

[Text] *One year after approving Law No. 229/1992 on commodity exchanges and six months after filing an application for a permit with the Ministry of Agriculture of the Czech Republic, the first trading assembly signals the beginning of activities at the Brno Commodities Exchange (PBB).*

The object of activities at the exchange will be exchange transactions involving livestock and plant products, as well as products resulting from their processing. Furthermore, products used in conjunction with production, shipment, processing, or the sale of plant products and livestock products will also be traded. Even though the principal weight is on products from our geographic region, trading is also anticipated in products from other geographic regions. This scope is not influenced merely by an effort to make maximum use of deposited resources to create an exchange, but also by the fact that products from other geographic regions often substitute for domestic products and, thus, exert an influence upon the marketing of our products. However, all commodities which are the object of the activities at the exchange

will be traded in accordance with the interest in them by buyers and sellers and according to how the exchange itself will master this operation.

The Reason for Establishing the Exchange

The purpose and the principal reason for establishing the exchange is to accomplish maximum concentration of supply and demand for agricultural products at one location and to thus create objectivized conditions for the functioning of the Czech Republic agricultural products market, with the ultimate goal of joining it particularly to the market on the European as well as on a broader scale. The existence of the exchange should, then, exert an influence not only on the prices of agricultural products being traded on this exchange, but also on prices of products traded outside of the exchange. It should act to eliminate regional differentiation in supply and demand, it should contribute to stabilizing prices at a level which reflects the situation at any given time. To exert this influence, the exchange will publish quotations of concluded trades.

The exchange is no less important with regard to certain guarantees that the contracts concluded at exchange gatherings will be fulfilled, that is to say, that the goods will actually be delivered at the agreed-upon quality, at the agreed-upon times, and will meet other delivery conditions and that timely payments will be made as agreed upon.

Trading

Any seller or buyer will be able to participate in trading on the exchange. Members of the exchange, both the founders and also those accepted for membership, will trade directly; others will trade through brokers. The word "directly" is understood to mean the concluding of trade transactions at the exchange gathering in one's own name and for one's own account. Being accepted for membership does not end merely by depositing the registration fee and the membership fees, but other factors, which are more precisely defined in the law and the statutes of the exchange, come into play. Membership in the exchange will, thus, even be a certain hallmark of the solidness of a legal entity or a private individual, a question of prestige. But it does make sense, in view of the expenditures which devolve upon individuals and organizations who deal with buying and selling commodities on a professional basis with a greater frequency. Any other interestees in trading on the exchange can do so (and it is more advantageous for them to do so) "indirectly," in other words, through the use of brokers. At the beginning of its activities, the PBB is figuring only on private brokers who will be concluding exchange trades in their own names, but to the account of the individual whose order they are executing for a commission. This is not only a device to protect the good reputation of the exchange, but it protects all participants of exchange transactions because the brokers or their commission agents must be individuals with all moral and specialized prerequisites, subject to strict

examinations and fulfilling all prescribed conditions. If, therefore, a broker concludes a trade transaction in executing an order for his client, it can be expected that this trade will be concluded with a greater oversight over the situation in the market than if the trade was executed by an individual who trades on the market only occasionally.

Membership

The exchange is not a profit-making organization and any gain does not result from membership, but from trading on the exchange. In conjunction with the law, fees must be used only to serve the further development of the exchange. The fees collected by the exchange are stipulated in the Code of Fees. Specifically, a registration fee for a member of the exchange is 200,000 korunas [Kc]; the annual membership fee for a broker is Kc100,000 (for the remaining portion of this year, brokers will pay Kc30,000). A trading ticket, that is to say, a ticket admitting an individual to one exchange gathering for a businessman (manufacturer) who will be trading through a broker, runs Kc1,000. But he need not be present at the exchange gathering (and need, therefore, not even pay admission) if he provides the broker with the necessary information according to which the broker is supposed to implement the transaction in his behalf. The exchange collects 0.1 percent of the nominal value of all concluded trades at the exchange (one-half of the amount is paid by each party). Moreover, the businessman (producer) agrees upon the brokerage fee for which the broker will execute his order. This is not stipulated and depends on an agreement between both parties. A spectator admission ticket costs Kc200.

In addition, the direct participants in exchange trading, that is to say, the trading members of the exchange and brokers are required to deposit a sum of Kc100,000 in the accounting center, to serve as a guarantee for defraying contractual penalties resulting from failure to fulfill delivery conditions or for defective fulfillment of conditions. Accounting will be accomplished via the accounting center. After a trade is concluded on the exchange, the buyer must settle the appropriate amount of money which reflects the concluded trade transaction by depositing that amount of money with the accounting center (he may break his payments into several stages). As soon as the accounting center has the sum of money paid in its possession, it will notify the seller accordingly. The latter will, according to the instructions provided by the buyer, fulfill the terms of the contract (in terms of deliveries commensurate with the funds deposited with the accounting center). The seller will issue an invoice, a copy of that invoice complete with documents indicating that the goods were turned over to the buyer or to a shipper is then sent to the accounting center. After several days, to allow the buyer to stop payment in the event the delivery is somehow defective, the accounting center transfers the money to the seller's account.

The Arbitration Court

An Exchange Arbitration Court has been established to function at the PBB. If both parties agree (as early as the time they conclude the transaction on the exchange) that they will abide by the decision of the court, the verdict of this court will be valid. In other cases, any dispute will be solved much like disputes in other commercial cases are handled. However, utilizing the services of the Exchange Arbitration Court is advantageous to both sides. On the one hand, the court is made up of individuals who are directly involved with the law as well as with trade transactions involving agricultural products; on the other hand, a dispute can be brought to final solution substantially more rapidly than is the case involving a commercial court. Moreover, each of the parties to the dispute can choose their arbiters from a listing of arbiters authorized by the Exchange Arbitration Court in whom they have confidence.

* Commodities Market Trading Described

93CH0806B Prague HOSPODARSKE NOVINY in
Czech 29 Jun 93 p 9

[Interview with Pavel Sehnal, a member of the Brno Commodities Exchange Chamber and director general of the Exchange Corporation for the Capital Market, by Anna Wurmova; place and date not given: "How Will Trading Be Accomplished on the Brno Commodities Exchange?"]

[Text] *We asked this question of Eng. Pavel Sehnal, a member of the Brno Commodities Exchange [PBB] Chamber and director general of the Exchange Corporation for the Capital Market, which is a subsidiary of the Business Bank of Prague.*

[Wurmova] Where do you see the importance of the commodities exchange?

[Sehnal] The concentration of supply and demand in one location not only makes it easier to sell or buy the chosen commodities but also helps in the acquisition of a number of important items of information regarding the situation in the market. Given an adequate volume of trade on the exchange, we can consider the prices achieved as being indicative for a given market. On the basis of the level of those prices and their comparison with other markets or world prices, we can then determine the status of supply and demand and the efficiency of production and sales, and, as a consequence of that, we can stimulate producers, processors, and traders. The prices the exchange quotes determine the price level even for extraexchange transactions.

[Wurmova] What can our consumers or producers expect of the trading on the commodities exchange? What can they gain from it?

[Sehnal] First, it is making actual trading easier and lowers sales costs and marketing costs. Second—and this is not without importance today—the exchange provides

guarantees for both the supplier, that he will get paid for his delivery, and the customer, that delivery will be made in appropriate time frames, of the appropriate quality, and of the appropriate quantity. The exchange should help eliminate even some negative aspects in the former supplier-customer relationships, like the effort to profit from the dominant standing to exert pressure on prices on the local market. That will be particularly welcomed by small and medium-sized producers as well as by customers. The exchange should make it possible for the state to better intervene to the benefit of the agricultural market without possible discriminatory measures. The influence of the state in the process of redistributing agricultural surpluses and shortfalls should begin to be felt on a commercial basis.

[Wurmova] What other direction do you see the development of the commodities exchange in this country taking in the future?

[Sehna] On the one hand, that will involve the effort to expand the number of traded commodities. On the other, there should then be negotiations regarding the introduction of new types of transactions, primarily time-limited ones. Those are the basis for introducing modern forms of trading on the exchange, such as, for example, covering transactions that help minimize the risk of price deviations.

[Wurmova] What do you consider to be important to promote the successful initiation of trading on the PBB?

[Sehna] What is important is for producers, traders, and processors to gain confidence and come to trade on the exchange. That is the only way they can become convinced of all of the advantages trading on the commodities exchange brings with it.

[Wurmova] How does your corporation participate in the activities at the commodities exchange?

[Sehna] Our corporation is a specialized one, as can be seen from its title, and specializes in what goes on on the exchange as well as related activities. We have now expanded our original activity on the securities exchange and on the capital market by participation in the commodities exchange. That is also clear from the business intentions of our mother corporation, the Business Bank, which is active in that area and which became a founding member of the Brno Commodities Exchange. We therefore became one of the brokers on the Brno Commodities Exchange. Trade can be concluded on the exchange only by authorized members of the exchange (in their own names and for their own accounts) and by brokers (in their own names and for the accounts of others). That practice is intended to make sure that actual trading on the exchange is handled at the appropriate professional level, but what was mainly guaranteed was the serious nature of individual participants in exchange trading and, on the other hand, their financial standing. Toward that end, brokers are obliged to deposit

a p p r o p r i a t e

financial deposits with the exchange to guard against failure to fulfill any obligations based on the concluded trade.

[Wurmova] How then should those interested in making a sale or a purchase on the commodities exchange proceed?

[Sehna] Anyone interested in buying or selling on the PBB should get up with one of the registered brokers and conclude an agreement with him regarding the execution of buy or sell orders covering the commodity of interest on the PBB. Part of the agreement is customarily the amount of remuneration in return for which those orders will be executed, but that can differ from broker to broker. On the basis of instructions from the client, which are listed in the agreement, the broker executes the buy or sell order of the client at the exchange gathering. In the event a trade is accomplished, the participating parties begin to settle the trade according to exchange rules. Should a trade not come about, for example, for reasons of a different price from the one demanded by the client, that is resolved by agreement between the client and the broker and can result in withdrawal of the buy or sell order, or in its execution at the next nearest exchange gathering. The agreement can also list other conditions having to do with executing buy and sell orders on the PBB. Possible interestees in buying or selling on the exchange will be sent a list of qualitative conditions stipulated for individual commodities and the exchange rules if they fill out a trading card and send it to the address of our corporation.

[Wurmova] As brokers, do you also offer other services?

[Sehna] We provide all advisory services connected with trading on the PBB, but we also provide important information on trade involving the given commodities on the world commodities exchanges. In seminars we are preparing, we wish to familiarize our clients with modern methods of trading on the exchange, such as hedging, and so forth.

[Wurmova] Where can possible interestees call for additional information?

[Sehna] They can call us by telephone—the number is 02/235 93 43—they can contact us by fax at 02/235 94 03, or they can contact us in person or in writing at Vcelova 3, 120 00 Prague 2.

*** Tesla Pardubice Manufactures Arms**
93CH0790B Prague LIDOVE NOVINY in Czech
30 Jun 93 p 3

[Interview with O. Barak by (gag); place and date not given: "An Indebted General Speaks About an Armaments Plant"]

[Text] [gag] Why did you opt for doing business with armaments?

[Barak] Tesla Pardubice is not only an armaments plant. It also produces civilian radars, radio receivers, radio-telephones, coffeemakers, and toasters. The ratio of that production to military production is 1:1.

[gag] What is the actual relationship between civilian and military production?

[Barak] It is closer than is being admitted. We immediately introduced criteria for civilian production that were similar to criteria used for special production. That is mainly a matter of strict adherence to production technology and still tougher product acceptance standards. Such arrangements always result in a sharp increase of current production quality.

[gag] Under what conditions did you purchase Tesla Pardubice? It is said you bought it at a huge discount.

[Barak] If we take into account that the banks attached all of Tesla's buildings—Tesla has debts in excess of 1 billion korunas [Kcs]—we are up to our ears in debt. We bought it from the state for Kcs155 million, and we promised to invest Kcs620 million within three years. The trustworthiness of our program is perhaps illustrated by the willingness of the Czech banks to invest money in the project entitled HTT Group.

[gag] The quality level of Czech armaments plants was and in part continues to be questioned. Are they truly capable of competing?

[Barak] Only laymen express those doubts. Our armaments plants always kept pace throughout the world. Aircraft made by Aero Vodochody, for example, were and are top-notch. Tesla radars operate error-free from the Arctic Circle all the way to the equator. The unique capabilities of our Tamara system are highly prized.

[gag] But it is reported not to be compatible with Western systems.

[Barak] It is. Tens of interested customers from the West must tell you something. I believe we shall succeed in the face of the tough tests that precede similar contracts. We stipulated a single condition in our project—namely, that we could export to all countries of the world with the exception of those that are unacceptable to the Government of the Czech Republic.

[gag] How will the Pardubice group benefit from your activities?

[Barak] If all of our negotiations go well, we will not have time to turn around in the future. We would palpably increase employment (and not only in East Bohemia Kraj; after all, a single Tamara system requires 12 Tatra cargo trucks), and we would contribute a fat profit to our State Treasury.

* Group of Firms Plans Arms Production

93CH0790A Prague RESPEKT in Czech 4 Jul 93 p 5

[Article by Jaroslav Spurny: "Armaments—Again a Commodity Like Any Other"]

[Text] At the beginning of June, 12 Czech firms established a corporation for the production and sale of armaments. They registered in the Enterprise Register under a foreign name—the RDP Group. The birth of the corporation was welcomed by both the Ministry of Industry and the Ministry of Defense. "The association of arsenals is a terribly important partner for the entire strategy involving the rearming of the Army," proclaimed Miroslav Kalousek, deputy to Minister Baudys. A similar reaction came from the press spokesman from the Ministry of Industry, Lubos Beniak: "Armaments products are goods like any other. In trading them, it is necessary only to adhere to government policy and to live up to international obligations. The minister believes that the corporation has a future."

Despite the verbal optimism from the highest places, however, the RDP Group has thus far not concluded any preliminary commercial contracts, and its negotiations with the Army also terminated up a blind alley.

The principal initiator behind the corporation, the director general of Skoda Plzen (who is also chairman of the board of the RDP Group today), Lubomir Soudek, has thus far refused to comment on the project. "We merely want to achieve a certain degree of coordination in the development, production, and sales of arms," says Jiri Hudec, who is Soudek's press spokesman. More detailed information will reportedly be available in the second half of July, following the first meeting of the board of directors.

The director general of the RDP Group is Eng. Jan Vlcek, the former head of X Trade, the trading corporation of the Ministry of Defense, which Antonin Baudys eliminated as of 30 June 1993. "X Trade was supposed to assure us of commercial services, but a check on management for 1992 clearly demonstrated that we do not need that company," says Deputy Minister Kalousek. "Last year, it sold six parcels of real estate owned by the ministry and brokered one purchase of military equipment." According to Kalousek, Jan Vlcek will clearly utilize his experiences based on doing business for the Ministry for Defense in the new corporation. "He knows how things work and has made a number of contacts. But I do not think he could somehow misuse the information he acquired at the ministry."

In his new capacity, J. Vlcek has already dealt with Major General Oldrich Barta, the chief of the Arms Directorate. However, no agreement came about. M. Kalousek says: "We are just preparing the materials on how to rearm the military. But, for the future, it will obviously be advantageous for us to negotiate with a partner who represents several enterprises and offers complete armaments facilities. In doing business with

individual enterprises, there is also a much greater danger that ministerial officials will be corrupted."

For the time being, it is not clear how armaments development and production, which the RDP Group wants to sell in the future, is to be financed. According to a member of the RDP Group board of directors, Jiri Sima (Skoda Diesel), each enterprise will finance its own research and development. Sima's colleague on the board, Eng. Lubomir Pospisil (Police Engineering Plant), believes that the companies will come together in the case of necessary expenditures and that they will be assisted by the Army. Some members have voiced fear. "The state cannot finance joint projects involving enterprises that are making a profit only; precise rules must be stipulated," says Eng. Jan Snegon, who is secretary to the director general of the Zdas Company in Zdar, one of the small RDP firms that is showing a profit (last year, some 160 million korunas).

The Ministry of Defense is not thinking of investing in armaments enterprises. At best, it is willing to provide grants to cover interest payments on loans the enterprises will make with banks, but, as M. Kalousek says, it is "only an idea that was never discussed."

However, a number of members of the RDP Group are short of money, and some have discharged employees. J. Sima: "Since 1991, Skoda Diesel has been heading downward. We shall be glad if we break even at the end of the year. We lost the markets of the former Soviet Union, and we have hardly exported anything for a year. We are at 30-percent capacity. Since 1989, we have let go more than half of our work force. We have now begun cooperating with the German firm of Krupp. Perhaps things will get better." The Police Engineering Plant had to stop 80 percent of its production program and discharged about one-fourth of its workers. Skoda Plzen and LIAZ [Liberec Automobile Works] Jablonec are also badly off. Only Zdas in Zdar managed to replace the eastern markets with Germany, Austria, and Italy and did not lay off a single worker.

According to Jiri Sima, it is necessary to renew the tradition of the armaments industry in the Czech lands in the face of that failure. Sales of "special equipment" are to be handled by a sales group within the RDP Group. However, for the time being, it seems that that group has concentrated its attention on mainly one product: the T-72 Soviet tank. The RDP Group wants to equip those tanks, which are used by both our Army and by many armies abroad, with new transmissions, new engines, and new optics.

For now, there is no demand. According to the Ministry of Defense, there are approximately 7,000 "72's" that are operating throughout the world. Half are in the countries of the former Soviet Union, which are not sufficiently solvent to pay for modernization. Approximately 1,500 are owned by armies of the former Warsaw Pact (including some 400 that are in possession of the Czech Army), whose wallets are also not in the best of

shape. The remainder are in the arsenals of countries such as Syria, Iraq, and China, and licenses for the export of weapons to those countries are not being granted by the Czech Republic. "We have a certain idea of where new engines might be sold," says J. Sima, "but no contracts have been concluded."

M. Kalousek knows nothing about any agreement between the RDP Group and the Czech Army to modernize the T-72. "It is not even certain whether we shall decide to modernize that tank within the framework of rearmament," he says.

However, plans for the production of a new engine and transmission do exist, and the firms involved think they are very promising. J. Sima is convinced that the present engines in the T-72's are bad: "That was demonstrated in the Persian Gulf war. We believe we are the right firm to produce the new engine. We consider that like a commercial matter that should revive our civilian production." At present, Skoda Plzen does not produce any military equipment. According to J. Hudec, the company is interested in manufacturing the transmission for the T-72 tank. Even Skoda reportedly considers armaments production a suitable supplement to civilian production.

The other companies in the RDP Group will not participate in the tank-modernization program. According to its director, Eng. Jaromir Juricny, LIAZ Jablonec wants to replace the unsuitable V3S Army cargo truck in the Czech Army with its products; Zdas in Zdar is supposed to deliver presses for the production of shell cases; and the Police Engineering Plant is to provide the ammunition. However, for the time being, the board of directors of the RDP Group has not worked out a business plan. That is supposed to come up for discussion in mid-July. Until that happens, the directors feel that it is not possible to estimate what the association of arsenals will actually be producing and to whom it will be selling.

*** Dlouhy on Future of Uranium-Ore Mining**
93CH0790C Prague LIDOVE NOVINY in Czech
2 Jul 93 p 2

[Unattributed report: "Vladimir Dlouhy on Uranium"]

[Text] Straz pod Ralskem—Vladimir Dlouhy, minister of industry and commerce, will propose to the government that the classic mine and chemical extraction of uranium be salvaged. He said so yesterday while visiting the Diamo State Enterprise at Straz pod Ralskem in the Ceska Lipa region.

According to what Minister Dlouhy said, he has rarely submitted materials to the government that have entailed such a high risk from the standpoint of general uncertainty. He identified those risks primarily as the development of uranium prices on the world market, particularly the lack of knowledge regarding stockpiles in Russia and Russia's policy regarding how rapidly it will be releasing those supplies onto the world market and

thus influencing the price of uranium. If the decision were to be made to totally eliminate the extraction of uranium in the Czech Republic, the Republic would be exposing itself to the future danger that it would be dependent upon uranium imports, even in the event that world prices rose. That would essentially be reflected in the prices of electric energy. The Diamo State Enterprise at Straz pod Ralskem was formerly known as the Pribram Uranium Mines and later as the Hamr Uranium Mines. It currently employs about 8,200 workers, approximately half of whom are directly engaged in the extraction of uranium ore.

*** Structural Aspects of Unemployment Viewed**

93CH0806D Prague EKONOM in Czech 30 Jun 93
p 30

[Article by Iva Kadlecova and Jiri Holman: "The Structural Aspects of the Development of Employment"]

[Text] *The transformation of the economy in the Czech Republic [CR] is also reflected in the employment picture. The demand for manpower is changing, and desirable changes in ownership and branch structures of employment are occurring. The number of employees in large organizations is declining and is shifting to smaller organizations, where a more efficient approach on the part of employers in utilizing the capabilities of people, and their working time is also occurring.*

The entire complex of economic factors is accompanied by important generational changes in the work force, where large numbers of young people are entering the

labor market, having been trained for a profession, and large numbers of workers are retiring.

Despite a sizable movement in the work force, 1992 did not see any more specific tension develop in the labor market. That is attested to by a decrease in the rate of unemployment from 4.1 percent to 2.6 percent and an increase in the number of available jobs (to virtually 80,000).

At the end of 1992, some 4.77 million people were working in all sectors of the national economy in the CR (that is, 4.2 percent fewer than was the case in 1991) and 135,000 citizens were applying for work through labor offices. Approximately 60,000 of our citizens sought employment abroad.

The overall decline in employment by approximately 210,000 individuals was decidedly (virtually 70 percent) accounted for by a decline of workers in their postproductive years. Here, there was undoubtedly the influence of the policy of enterprise management at work (where the need arose to release workers in their postproductive years on a priority basis) and the tax burden imposed on working pensioners in 1992.

An express decline of employment was recorded in industry and agriculture. Branches in the tertiary sphere, however, experienced a modest increase in employment, primarily in the banking industry, the insurance industry, and the area of services rendered to businessmen.

The favorable development of the sector structure of employment in 1992, which benefited the tertiary sphere, can be seen in Table 1.

Table 1
Sector Structure of Employment*
(final figures in percent)

	1991	1992	Difference	Index 92/91
National economy total	100.0	100.0	—	100.0
Primary sphere	9.8	8.5	- 1.3	86.7
Secondary sphere	46.6	45.4	- 1.2	97.4
Tertiary sphere	43.6	46.1	+ 2.5	105.7

*Principal employment according to predominating activity.

From the standpoint of the type of ownership, the greatest increase is occurring in the number of organizational units and, at the same time, the number of workers in the private sector (in 1992, that increase amounted to approximately 450,000 individuals); on the other hand, the number of state organizations and their employees is declining (by approximately 666,000 individuals in 1992).

Express changes occurred primarily in the construction industry and in trade, where, at the end of 1992, more than half of all workers in those branches were employed in small private organizations.

Development of Productivity

With regard to the efficiency of the economy (measured in terms of the gross domestic product) and average employment, it is possible to deduce a decline in overall social productivity of labor in 1992 by approximately 1.4 percent compared to 1991. The largest share in the above development is occupied primarily by large industrial organizations where, despite the largest absolute decline in employment, productivity involved in the production of goods declined by 2.3 percent.

Many economists evaluate the above transition trend highly critically. But, if we look at developments in mature market economies, we can also find similar

trends in periods of recession and opposite trends in periods of booms. Long-term time lines extending over the 1970's and the 1980's for Austria, Sweden, the Netherlands, Belgium, Italy, France, the United States, Canada, and Japan indicate that, in periods of recession, changes in employment are not immediate and flexible in comparison with changes in the development of production. A decline in efficiency involving embodied labor becomes manifest, as do other production factors.

Despite the fact that productivity declined in all sectors of the national economy in 1992, statistical reviews clearly indicate that there is a more favorable development regarding efficiency in organizations having a smaller number of workers. For example, in industrial organizations employing fewer than 25 workers, productivity increased virtually fourfold. Similarly, enterprises employing between 100 and 600 workers exceeded the

productivity of labor achieved in 1991. Similar developments are being registered even in the construction industry.

Anticipated Development of Employment in Industry

The success of every forecast is influenced by many determining and limiting factors. In estimating the development of employment and unemployment for 1993, it was necessary to also take into account the considerable measure of uncertainty based on the extent to which the law on bankruptcies and settlements would be asserted and the stability of trade relationships with foreign countries (particularly those involving the Slovak Republic).

The anticipated development of employment in decisive aggregated branches of the industrial sector are listed in Table 2.

Table 2

Branch	Number of Workers in Thousands				
	1992	1993			
	Total	Increase	%	Decrease	%
Metallurgy	115	—	—	12.0	10.4
Capital engineering and heavy-current electrotechnology	110	—	—	5.9	5.4
General engineering	225	—	—	15.0	5.9
Electronics and electrical equipment	85	—	—	17.0	20.0
Chemical industry, light industry, and wood-processing industry	420	—	—	35.0	8.3
Construction industry and building materials	260	13	5.0	—	—
Mining	140	—	—	5.0	3.6
Energy industry and gas industry	60	—	—	—	—
Grand total	1445	13	0.9	89.9	6.2

Table 2 indicates that, in industry, 1993 should see an overall decline in employment by approximately 90,000 workers.

That number will be influenced by the extent to which the law on bankruptcies and settlements is applied. Existing experiences involving enterprises that have filed for bankruptcy, however, indicate that the number of workers at risk continued to remain in place even after the demise of the enterprise and found employment in the newly created firm. Nevertheless, within the framework of the CR, there can be some so-called problem regions, to which increased attention will have to be devoted. However, in no case will that involve an across-the-board reorganization of enterprises that do not have promising futures. It will primarily be enterprises that are important for the maintenance of the

defense capability of the country that will be reorganized; next will come enterprises that could create the so-called domino effect within the economy; and finally, reorganization will be undertaken of enterprises whose liquidation in a given region would signal an express increase in social tensions.

Development of Employment in Agriculture

In the agricultural industry, developments in the agrarian labor market will be determined by the ongoing restitutions, privatization, property, and organizational and production transformation. Compared to the initial labor force of 510,000 individuals in 1990, the number of workers in agriculture is expected to decline to one-half—to approximately 254,000 persons—by the end of 1993.

The next two years, at least—1993 and 1994—will be critical for agriculture. In addition to the continuing rapid decrease in the number of agricultural jobs, it is necessary to figure that at least 10 to 15 percent of agricultural business entities will be facing bankruptcy, with its subsequent settlements.

The existing decline in agricultural manpower has thus far not led to massive agricultural unemployment in the CR. However, unemployment among farmers is growing in the so-called problem regions.

On the basis of the above facts, it can be expected that changes in the structure of employment will have a more dynamic character than was the case for 1992. The anticipated measure of unemployment, however, is not expected to exceed approximately 6.5 percent by the end of the year, which represents an annual average unemployment rate of 4-5 percent, given the continued expansion of labor office activities in brokering employment opportunities and providing consultation activities and information, and, primarily, their activities in supporting an active employment policy.

*** Advantages of Low-Cost, Highly Motivated Labor Seen**

93CH0824B Prague HOSPODARSKE NOVINY in Czech 9 Jul 93 pp 1, 13

[Article by Jaroslav Hofer: "Our Advantage Is Reportedly Cheap Labor; We Have Well-Motivated Workers"]

[Text] Participants in the symposium, organized in Berlin by HANDELSBLATT and THE WALL STREET JOURNAL EUROPE, showed the greatest amount of confidence in the Czech Republic and in eastern Germany. According to them, the Czech Republic should have the healthiest economic structure in East Europe within 20 years.

Thus far, Western businessmen showed preference for the former GDR. Over the last 18 months, 52.3 percent of the key managers who participated in the symposium invested in the former GDR, whereas 29.2 percent invested in Poland, 26.2 percent in Hungary, and 23.1 percent in our country.

However, the picture changed when these people were asked which country they believed was the most promising in the long run. More of them believed that the Czech Republic holds more promise than the eastern part of Germany.

THE WALL STREET JOURNAL commented on this by saying that confidence in the progressivity of the Czech economy was surprising to those who let themselves be dissuaded by the frequently oversized bureaucracy, by legal squabbles, and by problems involving ownership. The separation from Slovakia has made access to natural resources more difficult, and the uncertainties resulting

from this separation have led many firms to drop their plans for doing business in the Czech Republic.

In and of itself, this is an expression of weakness on the part of the other countries: in eastern Germany, there are high production costs; in Poland, the political scene and the labor force are not tranquil; the Russian and Ukrainian markets are considered to be risky. Although Hungary has better services and Poland better businessmen, not one of these countries can equal the Czech industrial tradition, the qualified work force, and the low costs of production, according to the newspaper.

"Take such a simple product as envelopes," said one of the participants of the symposium, Andreas Gummich, a research worker at the Deutsche Bank. "You can produce it in Germany for 22 marks [DM], in China it costs DM15 in view of the expensive transportation component. And if you manufacture it in the Czech Republic, you will pay DM6."

The same was claimed by the director of the Continental AG Friedrich Flotho; this corporation holds a majority share in the Barum Holding Firm. He said that in this country, automobile tires are produced at a cost which is 20 percent below the production cost of these tires in Germany.

Of the not quite 100 key managers of Western firms who participated in the symposium, more than half intends to invest in the eastern portion of Germany or in the Czech Republic in the next 12 to 18 months.

Of these numbers, 31 percent prefer eastern Germany, 28 percent the Czech Republic, and 20 percent prefer Poland. Although the poll conducted by both of the economic periodicals mentioned makes no claim to be representative, it does reflect the opinion climate which is forming in the West. As the poll indicated, almost one-third of the businessmen is most afraid of ownership and legislative problems in East Europe. More than one-fourth is disturbed by the outlined economic conditions for doing business in these countries and the same number has encountered difficulties in training management and employees altogether.

Overall, however, there is satisfaction over the quality of the labor force. About one-half believes that the central and East European labor force is better motivated than is the case in the West. About one-fourth judges that the situation is the same in both parts of the continent. Approximately 80 percent of the respondents also feel that, so far as the problem of absenteeism is concerned, the East is either equally well off or better off than the West.

They see the greatest shortcoming in the inadequate business and marketing know-how and in financial and accounting operations.

"East Europe does not function like the corporations in the West where it is easy to delegate authority at individual levels of management," THE WALL STREET

JOURNAL EUROPE quotes one of the participants of the symposium. "Higher-ranking officials are compelled to make decisions more frequently. First, it is necessary to adapt the firm to the Western style of work and to Western concepts and to assert these styles at all levels. Otherwise, it is said that unpleasant surprises could result." Typical advice for an interested businessman in the East is said to be as follows: Be patient, it will take more time than you expect. Doing business in the East requires more time, capital, and work involving the training of management than it would appear.

The good reputation of the Czech Republic is enhanced by a clear fiscal and monetary policy. We are said to be practicing a stricter type of monetarism than many Western governments, Mr. Dummich from the Deutsche Bank told the symposium. The interest of investors is also stimulated by the advantageous rate of exchange. He judged that, "If the national currency is somewhat undervalued, one needs fewer dollars to exchange for korunas."

* Social Security Outlook to 2020 Evaluated

93CH0824D Prague EKONOM in Czech 7 Jul 93
pp 24, 26

[Article by Jaroslav Dostal: "Social Policy—The Outlook for Pensions"]

[Text] *Together with the transformation of the economy, a similar process is also required in the social sphere. The current social system was designed in the 1950's and in the mid-1960's in conjunction with the then-prevailing notions regarding the arrangement of society. A number of partial measures, no matter how important they were from the standpoint of maintaining a certain minimum standard of living and social peace (for example, the creation of the institution of the minimum standard of living, the valorization of pensions, and so forth), however, represent merely cosmetic adjustments to the system which, in view of the road toward a market economy that has been embarked on, are totally unsuitable and, therefore, are in need of fundamental conceptual change. This is particularly true of the key area of social policy—old-age insurance.*

Old-age insurance represents the most demanding component of the entire social system, both from the standpoint of financial cost and also with respect to the number of citizens whom it serves. The predominant majority of pensions paid and particularly expenditures for pension payments is represented by the old-age pension system. It is therefore clear that the parameters established for the system of old-age pensions are a determining factor for the entire pension system.

Possibilities for Improving the Existing System Are Exhausted

The transmission to a market economy, particularly the liberalization of prices, required that adequate measures be identified in the social area. In the pension area, this

was solved by a periodic valorization of pensions which, in its consequences, meant that until the end of 1992 the decline in the real value of pensions was slower than the decline in real wages and real incomes for families with children. It is an undisputable fact that until 31 December 1992 the average pension was developing more favorably than the average income based on economic activity. At the beginning of this year, however, the development of wage income underwent a fundamental turnaround and wages are now developing more rapidly than social income. This trend, together with the January increase in prices as a consequence of the introduction of the value-added tax is creating the prerequisites for the proposal to further valorize pensions again this year.

Effective in 1990, the system of social security was gradually rid of all preferences and discriminations: Personal pensions were done away with and the reporting of work categories was discontinued. While the first of these steps was unequivocally accepted by the public, the discontinuation of work categories is butting up against the problem of adequate compensation. Although entitlements based on work categories will continue to be recognized until the year 2016—that is to say, until such times as those workers able to attain a work category ranking by 31 December 1992 reach pension age—nevertheless, supplemental pensions for workers in particularly stressful or high-risk professions do not exist today.

The adopted procedure for valorizing pensions was of further assistance in solving the problem of so-called long-time pensioners, a problem which was left behind like some kind of a "time bomb" by the previous regime. This was the direct consequence of a change in regulations covering newly recognized pensions after 1988, with the level of pensions paid out not being adapted to this development. It can be said that during the period 1990-92, thanks to the system of valorizations tied to the date on which the pension was granted, it was possible, in principle, to balance all pensions on a comparable basis.

A wholly fundamental factor is the fact that there occurred a unification of social security provisions for employees and for persons who are self-employed, so that today we have a single system applicable to all types of economic activity. Moreover, it was possible to resolve the problem of organization and financing: As of 1 January 1993, employees and employers, as well as self-employed individuals, are making pension and health care payments. Since 1990, the system of social security directorates has been functioning as a system of state organs at the okres level. Citizens began to accept the principle of personal responsibility even in the area of social security. It can be considered an essential fact that the citizens are accepting even the principle of adjusting pensions in conjunction with the development of the cost of living or even in conjunction with the development of their income situation.

Fundamental Defects of the Current System

The above-listed changes and supplements, no matter how successful and essential they might be from the standpoint of social peace, are mere cosmetic adjustments. The need for fundamental changes in pension insurance is based on its fundamental systems deficiencies and shortcomings.

The current system of social security:

- Is not prepared for future demographic developments.
- Is not adequate for the requirements of a market economy (it is expensive, its ongoing financing prevents the formation of a capital market).
- It has a strong egalitarian effect and is static.
- It fails to provide citizens with the room or the opportunity to improve their old-age security through their own efforts.
- It is nontransparent and inconsistent. Of its approximately 70 different payments, only some are based on the insurance principle; others, however, tend more to belong in the system of social support and social assistance.
- There is insufficient protection against possible misuse of its relatively moderate conditions.

Democratic developments are a determinant which cannot be exceeded and which every social system must take into account. The aging of the population is a problem which is currently being solved by social systems in all developed nations and which even the Czech Republic is not sidestepping. Naive notions of the type which say "The state will pay for it" are nonsensical because it is always those who live in that state who will do the paying. Furthermore, the pension system is specific because the factual impacts of today's measures (or their absence) will not be felt until the succeeding generation. Therefore, it is absolutely essential to transform the pension system in such a way as to make it generationally transitional and tolerable.

At the present time, 100 economically active individuals support approximately 32 pensioners. The demographic situation will still be favorable for a few more years; in fact, it will even improve at the turn of the millennium (the number of pensioners per 100 active employees will be approaching 30). After the year 2003, however, the above ratio will begin to deteriorate dramatically so that around the year 2010, given the current limits for retirement, 100 economically active individuals would be supporting 39 to 40 pensioners.

Even from an international standpoint, this is a very high number, and no social system can prove able to master it—without encountering economic problems. It is important to realize that, even if we were to master this demographic situation in the period of the years 2010-20, at the price of an extraordinary burden upon the young generation and making our manpower more expensive, another demographic problem looms after the year 2030 when strong population classes born after

1970 will be retiring. We simply cannot exceed the demographic barriers; they are here, and we must take them into consideration.

The Economic Consequences of System Deficiencies

The current system of social security is expensive. It is true that those who live on a minimum pension as the sole source of their income will have a difficult time agreeing with this, but international comparisons convincingly demonstrate that, in relationship with wages, we have one of the relatively most expensive social systems in Europe. In order to be able to finance the existing system, we need to divert approximately 70 halers for every koruna of wages based on economic activities into the system (36 halers are paid by the employer, 13.5 by the employee, approximately 20 by the state out of tax revenues). Of the above-listed 0.70 koruna [Kc], Kc0.29 is allocated to pensions (Kc0.24 to health care insurance, Kc0.15 to hospital insurance, state payments, and the unemployed; and Kc0.20 is allocated for social assistance).

The consequences are reflected in the price of products, and the relatively high social costs thus influence the competitiveness of our products in foreign markets. If countries surrounding us are adopting measures to restrict the growth of costs in their social systems, which are by far not as relatively expensive as ours, then we must make our system cheaper if we are to remain competitive. But we must also maintain the fundamental prerequisites for its compatibility with the systems of the other European countries (that is to say, we must preserve minimum standards and the capability of concluding international agreements covering the transferability of entitlements in the case of employment abroad).

The pay-as-you-go financing of our social security system makes the creation of capital reserves impossible, and the system thus makes no kind of contribution to the development of the capital market.

The current system for computing pensions is strongly equalizing and static. Pensions are determined on the basis of the number of years worked and make use of a computational base which incorporates monthly earnings up to Kc2,500 fully, takes one-third of monthly earnings from Kc2,500 to Kc6,000 into account, uses one-tenth of monthly earnings from Kc6,000 to Kc10,000 as a factor, and ignores monthly earnings in excess of Kc10,000 so that the basis for computing a pension has a maximum limitation of Kc4,067. The impossibility to index earnings achieved over the past five to 10 years, coupled with the existing method of valorizing existing pensions, then further underscores this equalization trend.

The present method of determining pensions thus virtually fails to take into account price and wage developments, and for employees in higher income categories retirement then represents an express drop in the standard of living without the possibility of affecting any

improvements in their pensions through their own efforts. (These people then seek security in their old age and insurance against inflation primarily by purchasing real estate.) And the possibility of pension coinsurance leading to voluntary deferring of current consumption for purposes of future benefits would act as an anti-inflationary factor and the reserves of insurance funds would also mean strengthening the capital market. Another shortcoming of the existing system of pension insurance, the fact that it is only partially based on the principle of pure insurance, results in a large quantity of mutually contradictory principles and regulations, in unclarity, and a lack of overview. For example, although raising a pension which is the sole source of income up to a certain minimum level is necessary because it helps the poorest of the longtime pensioners to survive, it is not considered to be a payment in the social insurance category, but rather is considered as social assistance. The difference is not merely a verbal one: There are different criteria for granting this aid.

Fundamental Trends of Transformation Applicable to Social Security

Social security must primarily become a real type of insurance, and as such it must be graduated into three levels with the provision that the basic obligatory pension system will be guaranteed by the state. The insurance character of a future system will mean that there will even be cases in which the level of the pension will be below the life minimum level. In such cases, however, bringing it up to the minimum level will not be a matter for pension insurance but for the system of state social assistance. For citizens at the other end of the income spectrum, for whom payments from the basic state-guaranteed system would not be adequate, an insurance system will be available, be it of the group insurance type or individual insurance on a completely commercial basis. Coinsurance, depending exclusively upon the desire and voluntary nature of a group of citizens or individuals, will be the superstructure of the basic system and will make it possible to preserve income differentiation even at retirement age. The emerging pension funds will simultaneously become important factors in the capital market.

Basic social security must not proceed by way of increasing relative costs (in relationship with the volume of wages). There must be a gradual reduction of the contributory burden. The ways toward lowering this burden lead, on the one hand, via the toughening of conditions for entitlements and, on the other hand, via the gradual reduction of the relationship between the average pension paid by the basic system and the average wage. The current ratio between the average pension (net) and the average wage (gross) is approximately 52 percent. This is far too high for a state-guaranteed basic system and far too low for the system as a whole (including coinsurance). Consequently, over a period of approximately 20 years, we are expecting to see a decline in the ratio of the basic pension to the average wage (to approximately 47 to 48 percent) and we anticipate the development of coinsurance, which will take over the dynamics of the entire pension system. Toughening up the entitlement conditions for a pension can be accomplished, on the one hand, by gradually increasing the age limit leading to pension entitlement and by toughening up other conditions for entitlement (for example, by tougher standards for judging disability or the possibility of considering pensions and income together). With respect to the age limitations, we must realize that retirement at 60 for men and 53 to 57 for women is one of the lowest retirement ages in Europe. The average period during which a pension is drawn is 14 years for men and is comparable with developed countries in Europe and the world; however, in the case of women, the average period runs to 23 years and is one of the highest in the world. That is the reason why there will have to be a gradual increase in the age limit to qualify for a pension to the level of the general European standards. However, this process will be a long-term one (it will last for at least one generation) and will have to be tied into the developments on the labor market. The current notion is based on the gradual annual increment of the age limit by months (in the case of men, by two months each year; in the case of women, by four months each year) beginning in 1995 so that by the year 2006 the age limit for retirement would be 62 years for men and 57 to 61 for women, depending on the number of children. Together with this provision, the parallel existence of pensions and income would not be possible for a period of two years after retirement.

*** Parties View Election Campaign Expenses**

93EP0318A Poznan WPROST in Polish No 26,
27 Jun 93 pp 19-20

[Article by Jerzy Slawomir Mac: "A Billion for a Seat: Cost of Deputy's Seat"]

[Text] On behalf of the BCC [Business Center Club], the most influential Polish business organization, with 500 companies that together employ more than 400,000 people and have annual turnovers of 30 trillion zlotys [Z], Zbigniew Niemczycki announced the day after the parliament was dissolved that, in the coming elections, business people would not be giving political parties a red cent.

As some sort of response, Donald Tusk, leader of the liberals, stated that this time the KLD [Liberal-Democratic Congress] slates would not include any entrepreneurs who "had not been good deputies because of focusing on making money." It seems that the liberals had the worst attendance record because of them.

BCC President Marek Goliszewski agrees with Tusk's analysis. Although as many as 100 deputies in the last Sejm came out of the business community, economic issues were not a focus of parliamentary interest. The first term of the Sejm did not have time to become aware itself, let alone make society aware, that development is based on money that only entrepreneurs can produce and put into public circulation. Entrepreneurs, then, should enjoy the respect of those representatives of government officials whose eagerness to build a market economy goes beyond mere declarations. One of the reasons is that just about everyone is short of money, and the few people who have it are going to take a very careful look at each bank note before they allocate it to pay for election signs, rallies, and broadcasting.

"I can hardly imagine how parties having trouble making ends meet can afford to run a campaign," Zbigniew Niemczycki says.

The previous elections were financed in large part by business people, private companies, and State Treasury-financed companies that had been only partially privatized. The current election laws are far stricter. They forbid election committees' being subsidized by any economic units in which the state held shares or by institutions with budget subsidies. Therefore, no one will be able to count on gifts from firms like Ciech, Metalexport, and the Elblag Breweries, or from organizations like the Polish Society To Combat Invalidism, which supported the election fund of the PSL [Polish Peasant Party].

Of the 560 former members of the dissolved parliament, fewer than 10 percent have names that "worked for themselves," at the microphones on Wiejska Street, in the press and on television, or among voters in the field—that is, names not requiring much investment. Excluding deputies who served during the past term, there are probably no more than a dozen and some

politicians, a couple dozen at most, who could count merely on their own names to be sufficient recommendation, if they were agree to run: Krzysztof Skubiszewski, Ewa Letowska, Tadeusz Zielinski, Lech Falandysz, Andrzej Olechowski, Adam Michnik, Karol Modzelewski, Andrzej Milczanowski, Jerzy Turowicz, Marian Krzaklewski, and Andrzej Lepper. Election committees are going to have to create most of the Sejm and Senate candidates during the campaign because voters would prefer this time to vote not for slates but for concrete individuals. The tremendous difference of opinion in preelection polls conducted by various agencies proves that. The Democratic Union fluctuates between 30 percent (Pentor polls) and 13 percent (CBOS [Public Opinion Research Center]), while Labor Union [UP] ranges between 1 and 9 percent.

Taking into account the low level at which the public ranks last term's parliament, parties are going to require a great deal more money to push "their people" forward, incomparably more than in the fall of 1991, when it cost about Z100 million to obtain one seat on Wiejska Street. A U.S. advertising firm with which one of the largest Polish parties talked estimated that, to put one deputy from its ticket into parliament, it would cost \$55,000, or nearly half a billion zlotys. No political group has that kind of money.

Representatives of parties who have long tried for earlier elections (the SdRP [Social Democracy of the Polish Republic], the PSL, UP, the UPR [Union for Real Politics], and the PC [Center Accord]) say that their groups have no money to run campaigns. Center Accord even had to move to a worse location because it was so far behind on its rent. Parties of the present coalition have small amounts of money set aside for elections and have campaign plans that are nearly ready: UD [Democratic Union], with Z200-300 million left from the parliamentary club dues of deputies and senators; the Christian Democratic Party, with about Z30 million; and the KLD [Liberal-Democratic Congress].

The KLD "will try to keep campaign costs from going over Z10 billion."

For the moment, the SdRP, the ZChN [Christian-National Union], and the UPR are not in any position to estimate costs. Solidarity estimates them at a "minimum of Z3 billion," and, alongside the income from member dues amounting to 1.5 percent of wages, the union is counting on "favorable credit" from "its" bank, Chase Solidarity. The trouble is that the chairman of its administration is Jacek Merkel, head of the KLD election staff.

UD, too, is anticipating that it will have to obtain credit. Ludwika Wujec says: "We will repay the debt out of the budget refund because we are sure of winning several seats." UP, on the other hand, does not want to go to the bank for credit.

Several parties are counting on the "generosity" of their foundations. UD is counting on the Schumann Fund, the

PChD [Party of Christian Democrats] on the Tocqueville Fund, and UP on "Polska Praca." Most parties are counting on membership assessments, either voluntary or compulsory. The UPR's amounts to Z200,000. Just about all of them believe they will receive income from selling "shares"—the PSL prints them in nominal amounts of Z50,000—and from sponsors, despite the negative declarations from representatives of the business world. The UPR is planning to find small and moderate-sized buyers, owners of sidewalk stands and rotisserie kiosks, people who can "painlessly take Z5-7 million out of their pockets." The PChD is pinning its hopes on businessmen in the Christian Industrialists Club, and the Conservative Party is counting on the Real Estate Owners Union, with its 60,000 buildings, with which has entered into a cooperation agreement. UD has "a certain large company" up its sleeve, but it is holding the company's name in confidence. The KLD says that it traditionally receives "a large many offers of financial support" and that now "they are all being carefully verified."

All parties agree on one thing, regardless of their orientation: This year's campaign will be very poor. Most politicians are talking about the need to bow out of the poster war and "to look for nonstandard sources of money." As a rule, campaigns will be financed by those who are themselves interested in obtaining a seat, even in the poorest parties. Tomasz Nalecz of UP explains

that, in these parties, this financing will take the form of "no-interest loans of 5 million from candidates running for deputy or senator."

He explains: "If we get into parliament, the money will be paid back out of the budget refund. If we do not get in, it will be a nonrepayable loan."

Center Accord has set the price of a seat at Z10 million for those among the top places on the party list and Z5 million for those further down. Bogdan Lukasiewicz of the PSL also speaks in terms of "several million."

The election committees coping with the difficulties of legally obtaining campaign funds can be forced to seek various ways of getting around the prohibitions introduced through the election rules. It takes no more than a smidgin of ill will to say that the prohibition against using "noncash" benefits from the State Treasury and self-government budgets has already been broken by the parties of the current government coalition that entered into a "nonaggression pact" at the Council of Ministers building, by using its chairs, tables, electricity, microphones, and mineral water, or by the Belweder, which worked on behalf of the BBWR [Non-Party Bloc in Support of Reforms] during the Regional Self-Government Congress, with the financing coming out of the funds of self-government units. That the meeting between KPN [Confederation for an Independent Poland] chairman Leszek Moczulski and the officers at the Conference Center of the Ministry of National Defense was not the kickoff to his election campaign would also be a hypothesis that would be difficult to defend.

*** PUNR Deputy Terms Liberal Merger
Catastrophic**

*93BA1245B Bucharest LIBERTATEA in Romanian
9-10 Jul 93 p 2*

[Article by Gela Ispas: "Deputy Ioan Gavra Believes That the PUNR Remains the Only Centrist Party"]

[Text] At its weekly news conference, the Romanian National Unity Party [PUNR] welcomed "the timeliness and the maturity of the position expressed by a group of opposition parliamentarians to abandon the call for a special session of the Chamber of Deputies which was to take up an issue that was outside its competence."

Drawing attention to the fact that the PUNR was the only party that had taken this position one month ago, PUNR vice chairman Mr. Ioan Gavra declared that the parliamentary session in the fall might begin early at the request of his party, to adopt statutes for the operation of the legislative body.

"The unification of the liberal movement around the concept of patricians is a catastrophe for liberalism," in Mr. Gavra's view. He made note of the regulation for Chamber of Deputies operations according to which those resigning from one party must remain independents and cannot form another parliamentary group. He expressed his conviction that "the Chamber of Deputies will never recognize the existence of a civic-liberal parliamentary group!"

By virtue of the defacto split in the Civic Alliance Party, Mr. Gavra believes that the PUNR remains alone in the center of Romania's political spectrum. To dispel the monotony of this situation, deputy Gavra reiterated his support for the idea of a reshuffled government in which the PUNR would appear along with the current governing party and the PNTCD [National Peasant Christian Democratic Party], the sole serious opposition party in Mr. Gavra's view. "The rest are shadow parties that do not have what it takes to be in a coalition government," he opined.

Turianu's Views on Reform of Judicial System

*93BA1301A Bucharest ROMANIA LIBERA in
Romanian 24 Jul 93 p 3*

[Interview with Corneliu Turianu, former president of the Bucharest Municipality Tribunal, by Florin Gabriel Marculescu; place and date not given: "The Judicial System's Chances Depend on Its Future Minister: X-Ray of an Abuse"]

[Text] [Marculescu] What exactly does reform of the judicial system consist of?

[Turianu] Half- and quarter-measures, a partial and unconvincing carrying out of what should have been the much-trumpeted reform of the judicial system.

[Marculescu] Could you be more specific?

[Turianu] As of 1 July, the 15 courts of appeal and their affiliated prosecutor's offices were only partially established, in the sense that proposals were made, and were then accepted by the president of the country, for a smaller number of judges, sometimes even under the minimum requirements. To take Bucharest as an example, out of 75-80 judges, 35 have been appointed. The situation is the same throughout the whole country. Remember that the two military courts of appeal or the prosecutor's offices have yet to be set up to handle cases going to those courts. And then there are several courts of appeal which have not been provided with the buildings and funds necessary for them to function.

[Marculescu] How have the appeals courts been able to function since 1 July, considering that up to now changes in the law have not been published?

[Turianu] I have been asking myself the same question. Up to this date only the changes made to the code of criminal procedure have come into effect, through their publication in MONITORUL OFICIAL. The other laws relating to areas of competence, such as the code of civil procedure, the family code, and the administrative litigations law, have not been published, although they were adopted by Parliament.

[Marculescu] In other words, it would be no use for us to resort to the courts of appeal in a civil case....

[Turianu] If you do not "luck out" enough to have a criminal case, then keep relying on the competence of the old civil procedures!

[Marculescu] Among other things, you are accused of not concerning yourself with securing a headquarters for the Bucharest Court of Appeals.

[Turianu] I am sorry, but by saying this the minister proves that he is deliberately ignoring the explicit provisions of the law. The onus of obtaining buildings for the newly established law courts falls on the government, the district councils, and the local councils. With the support of the prefectures, these governmental bodies should have taken care of this problem, including the necessary funding, at the very latest by 1 July. Naturally, the task of prodding these governmental authorities falls to the lot of the Ministry of Justice, and by no means to me. Therefore, the accusation is absurd.

[Marculescu] Other charges have also been laid at your door.

[Turianu] That is true. During the meeting in which it was announced that I was being relieved of my duties, Mr. Ninosu reproached me for being too open in my relations with the press. The fact that we take different positions in this matter is not, I believe, to his advantage, from both a legal and moral point of view. Too much secretiveness can only damage the image of the judicial system, which is the way it is, and not the way we might wish it to be. Do we have something to hide from public opinion? To my surprise, in the communique issued on

the night of that same day, there appear completely different charges, each one more outrageous than the last, a real outpouring of venom.

[Marculescu] Let us take them one by one, starting, of course, with the politicization of the act of justice. Was Mr. Ninosu by any chance irritated by Bobu's release?

[Turianu] It is hard for me to answer you, since this case in no way represents such an aberration. It is unimaginable that the solution reached in the Bobu case could have irritated him quite that much. I was interested in resolving the case fairly, not in settling the accounts of the new men vis-a-vis the old guard. For the time being, without a mission spelled out, we are obliged to feel our way along.

[Marculescu] And here I was wanting to ask you precisely about the lawyer Ninosu's failures in front of the panels of judges of the capital's Court....

[Turianu] I do not know. Keep in mind, however, that he also had some successes in the appeals trial concerning the same person.

[Marculescu] How do things stand with the lack of monitoring of the activity of the court and with the maintenance of a climate of tension in the ranks of the judges?

[Turianu] I believe that there has been not a lack of inspections but that their rigorousness has been derailed. On the contrary, Mr. Ninosu shrugged off the results of these inspections. He nonchalantly cancelled even the sanctions administered to some court clerks. He ignored serious irregularities reported concerning certain judges; he pushed aside the scores which those judges had earned; and he warmly recommended to the High Council of the Magistracy [CSM] that these judges be promoted. I need not add that all of them were on the list of speakers at the meticulously organized meeting called to dismiss me from my job. But this is not the only cause of the climate of tension cited with such equanimity by the very person who inspired it. The deciding factor seems to have been the interview which appeared on the morning of that same day in CRONICA ROMANA which contained sharply critical remarks levelled at him and not at the judges.

[Marculescu] Does the High Council of the Magistrature still exist or not?

[Turianu] According to the law, no! It operated legally only up to the instituting of the courts of appeal.

[Marculescu] Are we therefore in a legal vacuum?

[Turianu] In my opinion, since these imperative provisions of the law were known, the proposals for the new CSM should have been debated and approved in Parliament by this date, precisely in order not to create the ambiguous situation in which we find ourselves and of which the minister is taking advantage in order to settle his accounts.

[Marculescu] Speaking of accounts, has anyone communicated to you the order by which you were dismissed?

[Turianu] Not yet, but I heard that it was read during the meeting in which the new chiefs were installed.

[Marculescu] Do you plan to contest the order?

[Turianu] That would be useless, especially since I am convinced that Mr. Ninosu obtained the go-ahead beforehand. Besides, it would be beneath my dignity to lay claim to a job which is so coveted and which is being conferred, in the present circumstances, on the basis of reasons and criteria having nothing to do with competence.

[Marculescu] To be frank, I do not think that you were very surprised by your dismissal.

[Turianu] I would say not at all. I just reproach Mr. Ninosu with not respecting the promise he made when he was appointed minister, a promise to the effect that he would handle this kind of task with the appropriate elegance, without resorting to the circus of a party meeting complete with indignant comrades and arrogant nobodies ready to do anything just to get someone to throw a little bone their way. I understand how much effort he had to go to in order to prepare such a meeting thoroughly, by means of the nine visits he made to the Bucharest authorities; on those occasions, incredibly enough, he categorically refused to let me accompany him.

[Marculescu] The reaction of the press was lightning fast. How do you interpret this?

[Turianu] If I were to say that it surprised me, it would mean that I was wronging the press. It acted normally, as one would expect of the real political force it is; and the scale of the reaction was proportional to the abuse which had been committed.

[Marculescu] How legal is the appointment of Mr. Ros as the president of the TMB [Bucharest Municipal Court]?

[Turianu] Since Mr. Ros acquired life tenure under the conditions of the law, his promotion to this job after 1 July no longer belonged to the competence of the minister of justice, not even provisionally, but of the High Council of the Magistrature.

[Marculescu] A council which may or may not exist. One could say that the chaos reigning at the present time in the system of justice is not such that it would inspire the citizens with greater confidence.

[Turianu] I agree completely with you. Any comments I might make would be superfluous because your question answers itself.

[Marculescu] What chances does the system of justice have to occupy the place which it rightfully should?

[Turianu] The chances that the future minister of justice will allow it.

[Marculescu] Since your removal from your job, it seems that various political parties are interested in winning you over as a candidate on their ticket in the next elections.

[Turianu] I have told you before that I will never give up my status of magistrate; but that necessarily implies that I have no right to become involved in politics. The only way that could become a possibility would be if, against all reason, I were to be forced to give up the profession for which I was trained.

[Marculescu] What is it that keeps you from losing your faith in the justice system?

[Turianu] The unfortunate event which has happened and which probably will not be the last one, cannot destroy the conviction of a lifetime. When I see the young judges I am all the more convinced that the fate of the justice system is not the least bit shaky.

[Marculescu] Your work is well known and highly regarded.

[Turianu] As far as I am concerned, I believe that what I have done up to now is a normal exercising of the duties incumbent on a magistrate. The alarming thing is that this conduct has come to be seen as something quite special. Now, as long as normality is shocking, we can say that we have a fair way to go before we achieve what is meant by a state ruled by law.

[Marculescu] How many of your colleagues conduct themselves normally?

[Turianu] There are many. You should not necessarily be thinking only of those from Bucharest. They are scattered all over the country, except that not all of them are inclined to assume all of their responsibilities, for various reasons.

[Marculescu] Might what has happened to you not discourage them?

[Turianu] I hope not!

[Marculescu] I think you are too optimistic! I have in mind the scandals which broke out at the organizing of other courts of appeal in the country.

[Turianu] I agree, but do not lose sight of the fact that life has its ironies....

*** Overview of Brasov Aeronautics Firm IAR-Brasov**

*93P20238A Bucharest ROMANIA LIBERA in
Romanian 15 Jul 93 p 4*

[Article by Bogdan Ficeac: "The Burden of Nonperforming Loans"]

[Text] The Romanian Aeronautics Industry Enterprise in Brasov (IAR Brasov) was and still is a symbol of the tradition of Romanian aircraft manufacturing. From its

very beginning, the company was established to achieve a military production quota of 81 percent of its total output: The bulk of the 81-percent quota was to be reached through the manufacture of helicopters. IAR-Brasov has sought to survive the drastic post-1989 reduction in military equipment orders, orders which today consist only of small repairs amounting to less than 1 percent of total production, by expanding its production in the civilian sector and stimulating exports. However, the shock of the Warsaw Pact's disintegration, accompanied by the canceling of all contracts, was a traumatic experience. In 1990, approximately 25 percent of the personnel actually had to be laid off, while another portion worked without being paid. In 1991, production was still benefitting, however, from orders placed by the Ministry of Defense. However, 1992 was perhaps the most difficult year, as IAR-Brasov began feeling the full force of nonperforming loans dating back to projects undertaken by the enterprise in 1984. Only now, in 1993, does business seem to have gotten off on the right foot.

The rapid conversion of military production to production for the civilian sector was designed to follow two courses of action. The first capitalizes on the experience of Romanian experts and is seen in the diversification of the production of military aircraft into the civilian sector. A new two-seater airplane, the IAR 46, has been designed with a prototype which was very successful at the recent aviation exhibit in Le Bourget, France. Considerable interest in it has already been demonstrated in the European and North American markets. In addition, the manufacture of a line of fiberglass sail planes in cooperation with a German firm was begun. This type of airplane requires six times less manual labor than that of the classic metal airplane. Other ambitious projects are also being discussed, such as a six-seater "business class" plane and an ultralight helicopter which could be used for agriculture, police work, etc.

The second course of action involves rejuvenating production by developing programs with broad applications in the civilian sector. IAR-Brasov is already looking at a plan for a modern PVC joinery.

The enterprise's recently initiated export program is thriving. It just recently signed a contract with the United Arab Emirates for delivery of 10 of its famous Puma helicopters.

On another topic, IAR considers keeping the work force "sharp" very important. Working in an environment of quality control requires attention to detail, conscientiousness, and professionalism. Specialists trained in this type of factory are a precious "commodity" which cannot be relinquished easily. The tradition of Romanian aeronautics continues through these specialists.

However, IAR-Brasov was recently added to the list of firms subject to financial oversight, despite the fact that products carrying the name "IAR-Brasov" enjoy wide international recognition. I asked Director Neculai Banea to explain this paradox.

The director told us: "In 1984, an intergovernmental agreement was signed between the Socialist Republic of Romania and the USSR for IAR-Brasov to manufacture 1,400 KA-126 helicopters. Based on this agreement, IAR-Brasov pledged to spend over 1 billion lei in investments and manufacturing training, 549.4 million lei of which represents loans for the manufacturing and production training. After the dissolution of the USSR, the agreement was left without a partner, because the Russians no longer showed any interest in continuing the joint venture, and the Romanian government did not take a firm stand. In addition, before the revolution, IAR-Brasov committed, based on firm orders, to a number of investment expenditures. The orders, which were canceled after the revolution, involved such projects as the nuclear power plant in Cernavoda, specifically units 4 and 5, and the Museum of History and the House of the Republic, which generated debt in arrears of 142.9 million lei. Recently, IAR-Brasov was subject to a financial audit by the State Directorate of Financial Auditing and the Romanian Trade Bank/

Brasov branch. The conclusion of their findings confirms that our company sustained 763 million lei worth of losses due to nonperforming loans incurred from the above programs. Having said that, however, I would like to add that the fiscal years of 1990 and 1991 were profitable. For example, in 1992, production yielded a real profit of 106.5 million lei, but because of the interest generated by the nonperforming loans and 221.9 million lei of expenses borne directly by our revenues, IAR-Brasov sustained losses of 115.4 million lei. In order to avoid the burden of nonperforming loans, for which we were in no way responsible, the Board of Directors began, in May 1992, to assume the public debt of the aforementioned loans and their interest by freezing that interest until the Romanian government solves the problem it has created. No firm results have been reached. I would like to say that, currently, IAR-Brasov Commercial Company, Ltd. has real registered capital worth 30 billion lei and has signed foreign contracts worth over \$35 million. The possibility still exists for us to sign additional contracts this year. One can see that losses worth 115 million lei do not necessarily equal a risk for bankruptcy."

*** Slovak Managers Show Lack of Interest in Exports**

93CH0825A Bratislava HOSPODARSKE NOVINY in Slovak 29 Jun 93 p 1

[Article by P. Mikulasek: "Where Were the Managers?"]

[Text] Organizers from the Expo Report Company offered Slovak manufacturers an opportunity to acquire new possibilities for marketing their products in neighboring Austria. They invited those interested in exporting products through participation in some of the specialized expositions in Klagenfurt on board the Fairway Boat Hotel.

The famous exhibition town offers a survey of the Austrian market, and contacts are made with specific customers at the exhibits. The trade directors of two exhibitions that will provide space for more than 200 foreign exhibitors in September brought information supported with advertising materials. Manfred Krammer supplied information on the wood-products exposition in Klagenfurt. He invited our manufacturers

of wood-processing equipment and final products to the 42d annual exhibition. Karl Platzer, the director of one Austrian exposition of components and semifinished goods for electronics, metallurgy, the chemical industry, and construction, Component '93, also offered space to market our products and contacts with the businessmen of the countries of Western Europe.

However, the offers did not get the appropriate response because, of the 20 exportwes who were sent written invitations, only two showed up. The lack of interest on the part of our manufacturers was countered by the representative of the Nitra company Aero Slovakia. At Klagenfurt, the company wants to offer aviation services for the protection of forests and agricultural areas against pests or during fires. There will also be an exhibit of small electric vehicles suitable for medical services or golfers. Aero Slovakia signed an advantageous agreement with an Austrian partner on the spot. It remained a mystery where the managers from the Slovak enterprises were when that chance to penetrate foreign markets was offered to them.

Jelincic Denies Cooperation With Secret Police

93BA1325A Ljubljana DNEVNIK in Slovene 21 Jul 93
p 3

[Article by Bojan Grom: "A Fabrication at the 'Right Time'"]

[Text] Jelincic: "I collaborated with the SDV [State Security Service] as much as Peterle, Polajnar, or Marjan Podobnik"; the SNS [Slovene National Party] president expected publication of the dossier.

Ljubljana, 21 Jul—Yesterday's publication of the dossier on his alleged active collaboration with the former SDV and the Security-Information Service [VIS] did not surprise Zmago Jelincic, president of the SNS and State Assembly deputy, since, as he told us himself, he had expected the publication of the dossier.

"DELO's reporters boasted even earlier that they had my dossier and that they did not know yet when they would publish it. One of the reasons that they chose yesterday as an appropriate time, in my opinion, is that as a member of the Slovene delegation to the Central European Initiative, recently in Hungary I advocated a rather harsh position on Croatia. Lojze Peterle is forming a pact with it, just like Janez Jansa. That is where the reason for yesterday's appropriate time lies: he sensed that I was the only obstacle in the way of the Holy Trinity, as I call them (Igor Bavcar, Janez Jansa, and Miha Brejc—author's note), in fulfilling their policy. It is leading to a renewed totalitarian system, which will be fatal for Slovenes," Zmago Jelincic said.

In response to a question about whether he worked for the SDV and VIS and whether in doing so he had really established very good relations with British reporter Nora Beloff, which were allegedly important for intelligence officers, he said that he did not approach her, but rather vice versa, and that during visits to her in London he only received tea and cakes, for free.

"I became acquainted with Nora Beloff through her brother John Beloff, who is head of the department for parapsychology at Edinburgh University. Specifically, I went there for congresses when I still had enough money. At one of the congresses, the head mentioned to me that his sister Nora would like to meet me. I agreed, and thus we also met in Ljubljana. Since she was very pro-Yugoslav, the SDV monitored her at every step, and on the basis of our meetings they prepared a concoction that some people want to use today to discredit me intentionally."

In this regard, it is not by chance at all, and even less of a surprise, that there were eight deputies demanding Jelincic's replacement as head of the State Assembly's defense committee.

"Janez Jansa is afraid that I will raise the issue of his security service, which can do whatever it likes without any control, in that committee. For instance, it eavesdrops on telephone conversations, secretly enters apartments and installs so-called bugs in them, and so forth."

(You can read a more extensive interview with Zmago Jelincic in the Sunday edition, which is already on sale today.)

Macedonia

* Ahrens Said To Dislike Prime Minister Crvenkovski

93BA1138B Skopje PULS in Macedonian 29 Apr 93 p 20

[Unattributed article: "Arrogant" Prime Minister"]

[Text] During the recent visit that Lord Owen and his team paid to Macedonia, something unpleasant happened to Gerd Ahrens, who is quite familiar to us: the Macedonian prime minister gave him a lecture on behavior. Naturally, 9532 used to having the last word in former Yugoslavia and to expecting that no one would have the right to counter his arguments, Mr. Ahrens complained to President Gligorov of this attitude shown by Crvenkovski, which he described as "arrogant" and "impudent."

Why did Ahrens become angry? Because he once again raised the issue of a new census, and that at a time when Macedonia is unable to think straight because of the problems created by the damages which will occur as a result of the implementation of the sanctions against Serbia. The prime minister reminded him that the funds for a new census were to come from the European Economic Community and that these funds, amounting to \$1 million, have not arrived yet. Mr. Ahrens, in turn, thought that it would be proper for this amount to come from funds already here, the purpose of which was to be entirely different. This "impudence" on the part of the prime minister reached its peak with the statement that "whenever the European Community will send us the 20 million ecu on which it has passed a resolution, the last million will be used for this purpose." Just consider how scandalous it is for a Balkan person to put in its proper place this European group consisting of lords and excellencies.

* Democratic Party Holds First Conference

93BA1208C Skopje NOVA MAKEDONIJA in Macedonian 28 Jun 93 p 2

[Article by A.D.: "An Alternative to Left-Wing and Right-Wing Extremism"]

[Text] Petar Gosev was elected party chairman. In his presentation he said that this will be a party of the political center, a convincing alternative for Macedonia. The DP [Democratic Party] program declaration and statutes were adopted. The hall of the MNT [Macedonian National Theater] was crowded.

Yesterday, in the crowded hall of the new MNT building, in the presence of about 1,000 members, sympathizers, and guests, the Democratic Party held its constituent meeting. Unanimously, Petar Gosev was elected party chairman. The assembly adopted the DP program declaration and statutes, as well as a resolution on the

party's name and symbols. Furthermore, the 815 delegates attending the constituent meeting, elected 35 members of the Republic Party Committee, and members of the Supervisory Committee and the Honor Court.

The constituent meeting of the DP was greeted at the start by the following guests: Dosta Dimovska, VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity]; Avni Eidjul, Democratic Party of Turks; Kole Mangov, Dostoinstvo; Tihomir Jovanovski, Social Democratic Party; Ivan Petrevski-Dzo, Republican Party of Macedonia, and a representative of the Party of United Macedonians.

"Bylaws on the Counter and Practical Actions Under the Counter!"

Following the adoption of the agenda and the election of the working bodies at the assembly, Petar Gosev discussed the basic objectives and tasks of the DP. At the beginning, in discussing the current situation in the Republic, he mentioned the sins of Adam and Eve in the Garden of Eden. He said that, in a certain way, the present government in the Republic would like to forbid us from distinguishing between good and evil. According to Gosev, the government wants us to believe that everything is good and that whatever it has accomplished internationally and domestically is a peak that no one else could reach.

Describing the situation as chaotic, Gosev, whose presentation was frequently interrupted by applause, said that, in less than three years, the Macedonian government had been able to change the name of the state without ratification by the parliament; request the presence of UNPROFOR units without any kind of document signed by UNPROFOR or by the parliament; make possible the plunder of so-called public capital, thus multiplying the number of "successful" capitalists and members of the nomenclature, a process which is continuing; and "develop" the nonpayment of taxes.... Simply, he concluded, there is no legal security, which is a major characteristic of any law-governed state. The provisions of the Constitution are not observed, which turns on the tap to illegality.

To illustrate this situation, he cited the fact that, between June 1991 and June 1993, the Constitutional Court of the Republic had contested 96 laws, annulled seven, and refused to act on 19; 41 laws were being drafted; and seven of 37 acts issued by the government had been rejected.... According to the author, all of this is possible because the political credo of those in power is that politics and morality have nothing in common, for there is no opposition to block them, and the media are kept in a situation similar to the way pluralism was permitted by the Socialist Union. The result, according to Gosev, is the appearance of enemies; the juggling of cadres of incompetent people; nepotism; processes of repeated monopolizing of economic, political, and information life in the Republic; growing mistrust in one's own

forces; corruption supported by the state; and putting the Constitution out for show, while conducting practical activities under the counter....

Positive Alternative

Continuing his analysis of the situation in the Republic, Gosev said that as long as the situation remains unchanged and the opposition is divided, those in power stand a good chance to continue this line of worsening the situation in Macedonia even after the next elections. That is precisely why, Gosev said, the DP was founded, as a real alternative to left-wing and right-wing extremism, as a party of the political center, as a convincing alternative for Macedonia, the Macedonian people, the ethnic groups, and the Macedonian citizens. It is a party that will be able to offer a positive alternative to its people.

At the end of his presentation, Gosev indicated some of the more significant definitions and tasks of the DP. Among others, they include defending the sovereignty and territorial integrity of Macedonia, which also implies that indisputable demands for ethnic equality can be honored only to the extent to which they do not threaten this basic principle. This implies that sovereignty stems from, and is the right of, the citizen, so long as it does not threaten the unified system of government or the territorial integrity of the country. Ethnic "keys" to structuring the organs of power and requirements for some kind of separatism with a consensus based on ethnicity are considered by the DP to totally conflict with the privacy, citizenship, individual dignity, and the freedom of the individual. Individual rights must be our highest objective, Gosev said, adding that private and state property, both present and future, must be inviolable. One of the urgent tasks of the DP, according to its first chairman, will be to improve morale and ensure the definitive establishment of a link between morality, the rule of law, and an efficient system. Only thus, Gosev added, can we be saved from the denigrating and endless tutorship that is being imposed upon us and with which some Macedonian leaders humbly agree. The solution to this problem does not come from the outside, but by rolling up our sleeves here, within the country, for all that we can receive from the "outside" is a reduced economic and political sovereignty, unless we are able to turn things to our advantage.

This presentation was welcomed with acclamations, after which a debate was conducted on party documents, aimed essentially at ensuring the overall approval of the documents and the description of reasons for joining the DP. One of the few amendments, submitted by delegate Trajko Slavevski, on the establishment of a group of DP representatives, was tabled after the statement by Petar Gosev because the necessary conditions (having no fewer than five representatives) for this amendment had not been met.

The symbol adopted by the DP is a stylized blue "delta" sign as the universal symbol of democracy, pierced by a yellow ray.

Guests attending the constituent meeting of the DP included Blaze Ristovski, Stojan Trajanovski, Dimitar and Ratka Dimitrov, the independent representative Goce Andonovski, and others.

Ethnic Differences on Defending Country

93BA1197A Skopje PULS in Macedonian 25 Jun 93
pp 13-14

[Article by Vladimir Jovanovski: "Keep Your Distance!"]

[Text] *Would Macedonians and Albanians jointly defend the country and how would they act in a crisis situation?*

Should there be a military aggression, would the Albanians in Macedonia join in the defense of the country? Do members of the Albanian ethnic group believe that military duty is mandatory? Do the members of the Albanian ethnic group believe that the police are protecting the interests of all citizens regardless of ethnic origin? These are some of the 86 questions asked as part of a major survey entitled "National and National-Religious Differences in the Republic of Macedonia," made last March and April by the Center for Ethnic Relations at the Institute for Sociological and Political-Legal Studies. The study was based on a representative sample of 1,000 respondents in Skopje, Kumanovo, and the townships in western Macedonia, half of which are Albanian and the other half Macedonian.

The attitude of the Albanians toward the state is probably best illustrated by the body of the questions related to one of the main security institutions in the country, the Army, toward which they, apparently, have substantial reservations (which is rather unusual: there currently are a number of more serious interethnic problems than in the Armed Forces). For example, asked "do you believe that the ARM [Army of the Republic of Macedonia] would defend citizens of your ethnic origin," 88.6 percent of all Macedonians answered yes and 1.8 percent, no; to the same question, 44 percent of the Albanians answered in the negative, about 10 percent gave a positive answer, and 46 percent were unable to answer. This means that as much as 90 percent of Albanians have no positive attitude toward the Army as being the armed force of all citizens in the Republic. To the similar question: "Do you believe that the ARM would defend all ethnic groups equally," the answer of the Albanians was virtually the same: 10 percent answered "yes," and 43.6 percent answered "no." Forty-six percent "did not know." Asked the same question, 72 percent of all Macedonians answered in the affirmative and 22.4 percent were neutral. This means that more than 20 percent of all Macedonians are not confident about the attitude of the Army toward the various ethnic groups.

Differences in the views of Macedonians and Albanians are obvious also in their answer to the question: "Do you think that should Macedonia be attacked, all citizens, regardless of ethnicity, would take part in its defense?" In the case of the Albanians, 32 percent answered in the positive; only 28 percent of the Macedonians said yes. However, as many as 47 percent of all Macedonians believe that Albanians would not join in the defense of the country. In this context, the greatest reservations of the Albanians were about the Serbs. One-third of them believe that the Serbs would not defend the country; some (4.2 percent) believe that it is precisely the Macedonians who will not participate in the defense of Macedonia. In a situation in which one should risk one's life for the sake of saving someone else's life, regardless of ethnic origin, the risk would be assumed by 70 percent of Macedonian respondents and one-half of the Albanian.

As to the military commitment itself, the overwhelming share of Macedonians, 99 percent, believe that this is a commitment that must be honored. The percentage is significantly lower for the Albanians. Specifically, 66.2 percent of Albanians answered this question in the positive and a "firm" 31 percent, in the negative. More specific indications concerning military service in the ARM are provided by the following question, according to which two-thirds of all Macedonians would respond to a military draft "regardless of circumstances," 12 percent "only in peace time," and 17.8 percent "only if there is a threat of war." On the other hand, no more than 14.6 percent of all Albanians would perform their military service at all times; 43 percent in peacetime only, and 5.6 percent in war time. Twenty-five percent of the Albanian respondents do not intend to serve in the Armed Forces, not feeling any commitment to the state, and 11 percent because they oppose military service in general. It is noteworthy that the number of the latter, who could conventionally be described as pacifists, is almost four times higher among the Albanians than among the Macedonians. It is 11 percent for the Albanians and no more than 3 percent for the Macedonians.

Very interesting answers were given by the respondents to the question: "what would you do if your party were against military service in Macedonia?" The difference in the answers of Macedonians and Albanians is drastic: 92 percent of the former answered that they would honor the demand of the state regardless of party views; 71.8 percent of the latter would honor the views of the party and would not serve in the military. This indicates that in the minds of the two largest ethnic groups in the country, views on the state and the party are very different. For the Albanians, priority is given to their political organization, the Party for Democratic Prosperity, which they believe to be the best protector of their individual and collective interests, whereas among the Macedonians the institution they respect the most is the state.

In the course of our talks with the respondents, one of the main reasons for their uncertain or negative views of the

Army was the fact that a substantial percentage of the command personnel of the ARM comes from the former JNA [Yugoslav National Army]. According to Doctor Emilija Simoska, head of the Center for Ethnic Relations and director of the survey, "The citizens are not entirely confident that such officers have become totally restructured and would act in the interests of the entire population in the Republic."

As the state which threatens Macedonia the most, the Albanians have named Serbia (76.6 percent); 7 percent of them consider Greece a possible aggressor, and 5.6 percent, Bulgaria. Some 20 Albanians, or 4.8 percent, even named Albania as the country that threatens Macedonia the most. Conversely, Macedonians named Albania as the most likely aggressor, with 26 percent of the "vote"; 19.2 percent named Greece, 17.2 percent Serbia, and 1.6 percent Bulgaria. It is interesting to note that 35 percent of the surveyed Macedonians do not feel threatened by any one of their neighbors whereas among the Albanians the percentage is far lower—6 percent. If interethnic discord were to break out in Macedonia, 80 percent of Albanians would ask neighboring Albania for help, whereas the majority of Macedonians, 70 percent, "would not seek anyone's assistance."

The overall impression is that there are great differences between the views of Macedonians and Albanians. The members of the largest ethnic unit in the Republic have a much greater (if not 100 percent) faith in the state and its military and police authorities compared to the Albanians (the attitude toward the police among the Albanians is very similar to their attitude toward the Army: 76 percent believe that the police do not protect the citizens of their ethnic group, while 81 percent believe that not all ethnic groups are treated the same). Actually, what explains the views of Albanians in Macedonia best of all is the fact that as much as 86.2 percent of Albanian respondents consider themselves second-class citizens of the Republic. "It is precisely for this reason that one cannot simply speak of some kind of 'disloyalty' of the Albanians but of a some kind of general feeling of mistrust in the state and, particularly, in the power institutions," Doctor Simoska believes. Such a suspicion of the state institutions, according to the survey, may be noted in 70-80 percent or even more among the Albanian population.

Let us also note that there is a relatively stable percentage of the Albanian respondents, between 21 and 25 percent, who display a rather negative or, according to some, disloyal attitude toward the state. This applies to the 25 percent of Albanian respondents who say that they would not serve in the ARM because "they do not feel any commitment to the state," or else that "Albanians will not join in the defense" should Macedonia be attacked. Twenty-one percent of the Albanians supported the latter view. A similar percentage of Albanians support the extremist view that "interethnic relations can be resolved only through force" (this view was shared by 12 percent of all Macedonians).

On the other hand, the study indicates that an obvious mistrust exists between Albanians and Macedonians. This is confirmed by the view that almost one-half of the Macedonians believe that in case of war the Albanians would not join in the defense of the country. A sign of mistrust of the opposite side shown by the Albanians is the obvious fact that all of them firmly trust their own politicians, above all those of the Albanian parties, and far less in the representatives of the state, who are mostly Macedonian.

In terms of the "neurosis" created by the "ethnic meetings," 35 percent of Macedonians and 31 percent of Albanians become nervous when addressed in a language that is not theirs.

* Position of Parties on New Privatization Law

93BA1178B Skopje NOVA MAKEDONIJA in
Macedonian 15 Jun 93 pp 1, 3

[Article by M. Anastasova and K. Cangova: "Law on Transformation Passed"]

[Text] *Sixty-three members of parliament voted in favor of this extremely important act; no one voted against it, but 24 representatives abstained. An increased discount for the purchasing of shares and further specifics on the institutions that will audit the privatization.*

The Law on the Transformation of Enterprises With Public Capital was passed. This is the epilogue of the nine extensions of the 61st Macedonian Assembly session. Sixty-three members of parliament voted in favor of this act, which is a key mechanism for the building of a market economic system and an efficient economy; no one voted against, and 24 representatives abstained (the parliamentary group of the VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity] and two members of the PDP-NDP [Party for Democratic Prosperity-National Democratic Party]).

The law was passed after long, difficult, and stressful debates, in the course of which a variety of views were expressed concerning the government's project. The general debate took three days; six days were spent in discussing the 320 amendments. Even before the debates on the amendments had started, the government had adopted 45 motions submitted by the representatives and the Assembly bodies. Such motions did not violate the basic concept of the law but merely improved it and made the text clearer. In the course of the debates several motions were adopted on increasing rebates on the purchasing of stock and control over already privatized enterprises, based on the old laws of Ante Markovic. Thus, according to the regulations, no more than 30 percent, instead of 20 percent, of the amount of shares could be bought, and the amount of shares bought at a discount may not exceed 25,000 German marks, instead of 15,000 as the government asked. The auditing will be conducted, if so requested, by four different institutions:

the public defender, the public prosecutor, the inspection authorities, and the Agency.

The law opens broad possibilities for the influx of fresh capital. In turn, this will be of great help in stabilizing the state and, above all, the economy. Naturally, this will be to the extent that the legal stipulations are implemented in practice.

In the course of yesterday's meeting, the remaining 15 or so amendments and the several final stipulations of the Law on Transformation were considered. Article 107 was the only one to be amended. This amendment was initiated by independent assemblyman Eftim Manev, and the government asked for a new resolution on more fundamental fiscal accountability and for legal supervision of the legality and accuracy in checking the process of privatization which has already been completed in individual enterprises. The new feature is that an audit will be made if so requested by the public defender, the public prosecutor, the inspecting authority, and the [privatization] agency. The request will be submitted to the authorized organizations. After the audit, a statement will be drafted on the findings and views of the authorized controllers to inform the requesters of the situation should there be a follow up. Based on this information, they may request an additional check if they consider that the situation is unclear.

This amendment, which became a structural part of the legal text, is an agreement between its author Manev and the government according to Jane Miljovski, minister of privatization, who stated that the purpose was the same: to block any attempt at crime. After Representative Manev expressed his agreement with the decision of the government, debates were started on the text of the draft law.

Referring to this amendment, Parjan Micevski, VMRO-DPMNE, described this solution as "major political machination, political manipulation, and deceit," and announced that he would not support the law. A similar statement was made by Vladimir Mitevski, SDSM [Social Democratic Alliance of Macedonia], who expressed his doubt concerning the checking of the reorganized enterprises by the respective institutions since everything was based on government suggestions. He linked it to the recently passed Law on the Sale of Public Housing. In his view, the public prosecutor and the public defender had remained totally indifferent and not said a word on the sale of the housing for a very low price. His view was that the same will happen with the stock.

Petar Djordjiev, RSM-LP [Reformist Forces of Macedonia-Liberal Party] did not agree with these statements, the more so since a solution of the issue may be found in Article 104, which deals with regular control, and therefore he did not believe that any doubt should exist. Speaking of the adopted amendment, Tomislav Stojanovski, VMRO-DPMNE, pointed out that this text grants

unconstitutional and illegal authority to the public prosecutor who has no right to engage in any inspection. He added that the prosecutor's function is to prosecute the perpetrators of crimes, consequently, he suggested that the government review the amendment and redraft it. Miljevski said that he understood quite well those who were looking for an excuse for not voting for the law. He referred to Article 104. He also quoted Article 106 of the Constitution, which determines the duties of the public prosecutor, who is the only independent state authority to prosecute the perpetrators of criminal actions and to engage in other activities as stipulated by the law. Such "other" activities, in this case, include control. The minister appealed for the law to be passed, so that Macedonia could undertake the transformation. This was opposed by Stojanovski, who said that the word "other" meant several activities such as prosecution in court, pardoning, etc.

The debates ended after arguments on the legal text. When the voting was to begin, Stoile Stojkov, VMRO-DPMNE, took the floor to explain why he would abstain. He stressed the obvious nature of political and ideological differences and the fact that the law does not answer whether the changes that have already been carried out will be sanctioned and made public, and whether fictitious acquisitions would be exposed. He characterized the amendments by the initiators of the motion as hypocrisy. Then, Tomislav Stefkovski, the coordinator of the VMRO-DPMNE parliamentary group, asked for a recess for additional consultations.

After the recess, he notified the Assembly that his group will abstain not because the representatives are against privatization, but because this model is partial and, he said, the VMRO-DPMNE demands comprehensive privatization. In this context, he said that in the forthcoming months his group will submit a motion for a new law on transformation to be consistent with conditions in the country.

Vladimir Golubovski, VMRO-DP [Internal Macedonian Revolutionary Organization-Democratic Party] called upon the representatives to vote for the law, for a failure to pass this law would trigger negative and even dramatic consequences. He said that he favors the law for it is aimed against group ownership and ensures the dynamic nature of the governmental structure. Among other things, it defines the political system. The right to state his opinion was asked also by Ivan Ivanov, RSM-LP, who said that he is not satisfied with the decisions and that, in his view, a large number of qualitative supplements requested with the amendments, had been ignored. His remarks dealt with the lack of free shares and the impossibility for the workers to exercise their rights within the framework of the transformation.

This was followed by the vote in which 63 representatives voted affirmatively and 24 abstained. The results of the vote were applauded.

*** Trade Unions Leader on Privatization, Early Elections**

93BA1178A Skopje NOVA MAKEDONIJA in
Macedonian 19 Jun 93 p 13

[Interview with Zivko Tolevski, chairman of the Association of Trade Unions of Macedonia, by Josif Dzockov; place and date not given: "This Is Not Good—Either the Law or the Workers"]

[Text] *We do not oppose change but we do not agree with the stipulations of the Law on Transformation. After so many amendments, the minister should have resigned. What is wrong: boycotting the application of the law or decisions that lead to social insecurity. Anyone who claims that we are tied to some parties should prove this with facts.*

The Association of Macedonian Trade Unions has long disagreed with some of the stipulations in the Law on the Transformation of Public Capital. The law was passed this week, ignoring the remarks of the workers organization. This led the trade union association first to call for a boycott in the application of this law and, subsequently, to decide to gather 150,000 signatures asking for a referendum on early elections. All the events involving the trade unions, culminating with a meeting held by their council, became the topic of a discussion with Zivko Tolevski, the chairman of that organization.

[Dzockov] You have taken the very risky step of gathering 150,000 signatures to promote a referendum on early elections. Our first question is, were you able to achieve the necessary unity within the organization?

[Tolevski] In general, the trade unions are dissatisfied with some of the stipulations in the Law on the Transformation of Public Capital. We start with the proposition that the workers who created the property have a right to own it. Based on the right of a free distribution of shares among workers and those previously employed, amounting to 20 percent, we had in mind their contribution to the creation of the public property. In my view, it is the workers who created this property and we openly ask if the state has the right to sell something it did not create. I do not agree with the claim that everything was based on the loans the enterprises received from the state. Those loans were repaid. Furthermore, we must not forget how extensively the workers were persuaded to make sacrifices for the sake of strengthening the material foundations of the enterprises. Investments were made in socialism and in the training of people, and I am asking how will such funds be refunded.

Actually, what does the law contribute? I would say nothing other than the fear and uncertainty felt by the workers. Today it is of no importance to the trade unions whether this is socialism or capitalism. What matters is the constitutional right to work and earn a wage.

For a Law Based on a Consensus

[Dzockov] You are severely blamed for failing to react on time to the resolutions included in the law. It was only after the fact that you undertook to reject the law and ask that it not be observed.

[Tolevski] Our views were consistent with the views of many representatives who submitted their amendments in the Assembly. The trade unions sincerely thank them, regardless of their party affiliation. What puzzles us in the trade unions is something else. How is it possible for such a law to be passed with such a small majority, bearing in mind that it is one of the fundamental laws regulating the relations that we shall develop in the future. I believe that the law should have been passed on the basis of a consensus, without daring to forget the workers, who should substantially participate in ensuring a unified view.

Actually, this was clearly indicated in the Assembly debates. How is it possible for such a significant law consisting of some 100 articles to have more than 300 amendments? This clearly proves the lack of a serious attitude on the part of the government, the Assembly, and, finally, the minister who submitted it and who, in our view, after all this should have resigned.

This law, which has been debated for almost two years, has so many unclear features and has triggered so many reactions that we ask ourselves for whose sake it was passed. Either the law is worthless or else the workers are.

The passing of such a law under conditions in which there is no adequately structured social policy is impossible. Let me state as an illustration that there are presently 11,000 workers who are being paid 800 denars because of their enterprises' bankruptcy, something which by no means allows them to ensure their minimal survival. The emphasis is put on bankruptcies, but even minimal security is not provided for. All of this was the reason for demanding, as representatives of the labor organization, the application of the constitutional right to gather 150,000 signatures in favor of a referendum on early elections.

The Trade Unions Want Security

[Dzockov] Do the trade unions consider that such an initiative could boomerang, assuming that you are unable to rally the necessary number of workers to support you?

[Tolevski] In this matter we are acting sincerely and honestly. We are aware of the fact that we are putting on trial our legitimacy in representing the membership. If this is our right, it is also our obligation to those who elected us. Actually, the correctness of our efforts so far and, especially, of the actions we must undertake in the future, was virtually ratified at the latest meeting of the council of the association of trade unions. This was most clearly seen in the reactions of some 100 or more representatives of enterprises throughout the country.

[Dzockov] You are accused of violating the constitutional order. That is the only way a call to boycott a law could be interpreted. According to the Constitution, a strike is a manifestation of the struggle of the workers who are dissatisfied with decisions affecting their situation.

[Tolevski] To some, the boycott of a law is a crime. However, they forget that there may be a call for civil disobedience as well. Actually, this is the practice in many countries throughout the world, when the people are dissatisfied with what is offered by the state or the state institutions. I would ask whether it is not a greater crime to threaten the social security of most of the population in a country.

It is not accurate to say that we do not favor change. We ask that, along with the Law on Transformation, all the other laws be passed to guarantee our security in some way. Above all, I have in mind the laws on enterprises, labor relations, and bankruptcies. All of them together would resolve problems of decision making in the enterprises as is done in the developed capitalist world. I ask myself, who will buy shares, even a single share, when most of the workers lack money even to buy bread. Furthermore, there is stubborn insistence on the application of the law under conditions in which Macedonia is a high-risk country. I even think that some people have stubbornly supported this law although they knew that it would not be implemented.

[Dzockov] There is a great deal of speculation that you are acting as an extension of some parties that are skillfully benefiting from the dissatisfaction within your organization to meet their own objectives. There are those who say that with your statements to the media you resemble a political leader.

[Tolevski] The Association of Trade Unions is an independent nonparty organization. It must be clearly stated that we are quite separate from political parties and the state. Anyone who claims the opposite should say so publicly and back it with facts. The fact that accidentally our views in this connection are similar to those of parties or individuals does not mean in the least that we have signed a pact with them. For the trade unions to play such a game would be fatal.

We respect all parties, regardless of whether they are represented in parliament or not. Many of them have disappointed us, as we remember what they demanded in their electoral programs and what they have achieved or what they support in practice. We are interested in cooperating with anyone who has similar views concerning the demands included in our activities program and the rights of workers and living and working conditions....

[Dzockov] Finally...

[Tolevski] Let us avoid yet another mistake with denationalization to return the property to those who lost such property in the past and to take away the property of those who, subsequently, during the past 50 years created it. Our commitment to the membership is to save jobs and ensure job security.

*** Progress, Prospects for Wheat Harvest**

93BA1291A Skopje NOVA MAKEDONIJA in
Macedonian 18 Jul 93 p 3

[Article by G.K.: "In Some Areas There Will Be No Harvest!"]

[Text] *The most critical situation is along the mountain slopes and unirrigated areas. Private farmers are the most threatened.*

Bitola, Jul—While the harvest of the wheat and all other autumn crops in Pelagonija's Bitola area is slowly coming to an end, the farmers in the two sectors appear to focus exclusively on the results of the spring sowing which are expected to be disappointing. Since the end of the spring sowing, almost no rain has fallen in that part of the valley, and wheat, sunflower, sugar beets, tobacco, and vegetable crops, planted on some 17,500 hectares of public and private land will be about a tenth of the normal because of yet another infernal drought. Private farmers are claiming in panic that in some areas there will be no crop whatsoever, and Veljo Tantarov, the chairman of their association, has requested officially that the authorities declare a state of natural disaster. Unfortunately, water cannot be supplied to some 8,000 hectares they own. Irrigation equipment would have changed a great many things. Actually, the problem of ensuring such equipment is almost as old as the Strezevo irrigation system.

The situation of the some 7,500 hectares of spring crops belonging to the Pelagonija Agricultural Combine is somewhat better, for irrigating most of this area is no problem for the combine. The combine has modern equipment for collecting water from the Strezevo HMS [Water Irrigation System]. It even has equipment for taking the small amount of water from the Crna Reka River where there is no Strezevo equipment. However, the Crna River is small and the thirst is unquenchable.

Although in a situation such as this in which no one, or else very few people, would dare to anticipate the outcome of the spring harvest, once again, for the umpteenth time, the Bitola private farm sector, at least in the Bitola-Pelagonija area, is insisting on an absurd solution and refuses to take advantage of the Strezevo water, although here the risk of drought is virtually permanent. After a great deal of discussions with the leaders of the HMS on how to use and pay for the water from the reserve, they managed to sign a contract. However, after the Strezevo people completed a survey of the real situation concerning the contract, it appears that there is an interest in irrigating slightly less than one-eighth of the 8,000 hectares included in the irrigation system.

Where should the real resolution to a problem, which for many years has been tossed around various state institutions, be sought? This can no longer be the concern of the state institutions. They successfully dealt with the problem and granted the "right to sign contracts," something that had long been insisted upon. Naturally, we think of Eftim Anceev, the minister whom the Bitola private farmers proclaimed the "father and mother of private farmers."

[Box, p 3]

An Interrupted Harvesting in Tetovo Area

So far, 2,000 hectares or 38 percent of the wheat have been harvested, and Zitopolog has purchased 5,000 metric tons of wheat.

Tetovo, Jul—Everything in the Tetovo area is concentrated to harvesting the wheat. There are 6,200 hectares in wheat being harvested steadily by 70 combines belonging to the private sector. According to information provided by the local unit of the Ministry of Agriculture, Forestry, and Water Resources, so far 38 percent of the wheat has been harvested, or about 2,000 hectares. In the public sector, respectively at the Tetovo ZIK [Agroindustrial Combine], the yield has averaged 5,600 kg per hectare, whereas in the private sector the average yield has been 3,500 kg. Even in this sector, so far, records have been set, as was the case with Saratjino Village, where the yield averaged 6,500 to 7,000 kg per hectare. It is characteristic of the Tetovo township that the harvested areas are immediately planed in second crops, mostly cabbage. Professional teams of the respective ministry and of Agroprogres, the Center for the Advancement of Private Farming and Animal Husbandry in Tetovo, are touring the fields. According to them, for the time being there are no problems. The wheat harvest is expected to be completed by the end of July. Fifty-six percent of the barley has been harvested, this crop being planted essentially on sloped areas.

Along with the harvest, Zitopolog in Tetovo is actively purchasing the wheat. According to its general director, Borce Mihajlovski, so far more than 5,000 tons of wheat have been purchased, 2,000 of which from the Tetovo area alone. By the end of the harvest it is expected that some 8,000 tons of wheat will have been purchased in the Tetovo area.

[Box, p 11]

In the Strumica Area, 50 Percent of the Crop Has Been Harvested

Strumica, Jul—The harvest in Strumica was completed in record time and without major problems. However, the people are not satisfied. This year, in this area where mainly vegetables are raised, grain crops were sown on about 7,000 hectares, 6,500 of which in wheat alone. The average yield was about 2,000 kg per hectare or one-half of previous years' averages. The main reason for this 50-percent drop was the severe drought, as a result of

which last spring the sowing plans were revised in favor of the less-profitable wheat and industrial crops and to the detriment of vegetable crops.

This year, wheat yields, like other grain crops, declined in the Strumica area. According to the latest information supplied by the milling and baking Zito-Strumica industrial facility, in whose silos the wheat of the neighboring Radovis, Valandovo, and Gevgelija townships is stored, so far about 6,500 tons of wheat have been harvested, which is less than one-half of the average in previous years.

*** Virus Attacks Fish in Mavrovica, Humans Not Affected**

93BA1291B Skopje VECER in Macedonian 13 Jul 93 p 11

[Article by S. Stojanov: "Threat to the Fish but Not to Humans!"]

[Text] *All claims that the drinking water has been polluted have been denied; the virus causing the mass killing of carp is known as erythrodermatitis.*

Sveti Nikole, Jul—It is absolutely guaranteed that by the end of the year the Mavrovica water reservoir, which supplies the people of Sveti Nikole and industry with the necessary amounts of water, will meet all needs with its present water potential of 1.5 cubic meters. The increased daily planned consumption is due to the fact that for quite some time there has been a drought in the Sveti Nikole area, and high daily temperatures.

The condition of the water is of particular interest. It is becoming increasingly relevant because of the carp are dying in mass numbers. The Republic Health Protection Institute has made all the necessary analysis and has determined that the fish are being killed by a virus known as the spring viremija or erythrodermatitis. The virus does not affect humans. This virus is expected to destroy the carp entirely. Therefore, the citizens of Sveti Nikole can confidently use the water for drinking and other needs, for all the studies have confirmed that the water is good, clean, and unpolluted.

This means that all the statements, assumptions, and doubts concerning the pollution of the water and that an epidemic will break out in Sveti Nikole, have no foundation. It has been decided, however, to build a fence around the protected zone of Mavrovica VRO [expansion unknown], which manages the water and the fish stock, with a single entrance and exit, permanently monitored, with a view to ensuring the safety of the dike and the water it contains.

Macedonian Plant Trades Metal for Milk From Vojvodina

93BA1335A Skopje VECER in Macedonian 23 Jul 93 p 8

[Article by Lj. J.: "Milk from Iron and Steel Plant"]

[Text] *The iron and steel plant recently signed a barter agreement with Agrovovodina in Novi Sad to deliver 150 tons of sheet metal, in exchange for a broad range of food items, including 50 tons of milk in tetrapak [four-sided cartons] packages. The first shipment is to arrive today.*

The difficult situation in which the Macedonian economy finds itself has forced Macedonian businesses, and even production giants, to engage in commercial transactions in addition to their basic activities, as alternative solutions for better marketing of their products. Such is the case with the Skopje Iron and Steel Plant, which recently concluded a barter agreement with Agrovovodina in Novi Sad. This is a long-term agreement covering delivery of around 150 metric tons of sheet metal in the broad range of products made by the Iron and Steel Plant, for which it will receive several types of food items of equivalent value from Vojvodina.

As has been reported by the president of DOO [limited liability company] Ugotur in Rudnici and the Skopje Iron and Steel Plant, Fidan Trpcevski, in addition to the tetrapak milk from Novi Sad, scheduled to arrive today, a wide range of dried meat products will be received from C-oka Company, and later a variety of cheeses, meat patties, wiener sausage, cuts of beef and pork, and other food items. Around 20 tons of broiling chickens have already been delivered from the Becej poultry farm and will be marketed at low prices.

However, it seems that the greatest amount of interest will be aroused by the tetrapak milk. According to Trpcevski, the first 50 tons are expected to arrive today, of which 12 tons will be marketed in Ohrid and Struga and 20 tons in Skopje. The milk from Novi Sad will be sold at 10.50 dinars per liter, and possibly it will be even cheaper so as to be competitive with the price charged in the retail trade network in Macedonia.

It is anticipated that the barter agreement will be in effect until the end of the year and may be extended at the beginning of 1994. The Skopje Iron and Steel Mill is also negotiating to obtain greater amounts of butter, sugar, and flour from Hungary, also on the basis of a barter agreement. This will serve a twofold purpose, in that, as the folk saying has it, "the wolf will be full and we will lose no sheep."

*** Water Checked for Bacteria, Chemical Pollutants**

93BA1335B Skopje NOVA MAKEDONIJA in Macedonian 25 Jul 93 p 3

[Article by P. P.: "Titov Veles: Water (Mostly) Good To Drink"]

[Text] *Daily tests of the water in the old wells show that their water is in good bacteriological and hygienic order, while water from the pumps is not recommended for drinking.*

Titov Veles, 24 Jun—What is the quality of the drinking water flowing through the Veles pipeline system? This is a question often asked by citizens, because of the water's color and odor.

"The city is currently supplied from the old wells, and the Public Health Office of Titov Veles checks the water quality every day. The tests that have been performed confirm that the water is hygienically acceptable, and no test has shown it to be bacteriologically objectionable. Unlike the water distributed during the winter and spring months, the physical and chemical quality has now improved. When the water is clear, it may be drunk without reservation. Water from some wells and pumps

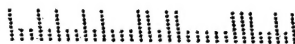
that have been tested are found to be bacteriologically, and in some cases chemically, objectionable because of the presence of nitrates. Consequently, it is recommended that such water not be drunk unless it has been boiled. The situation is similar for the natural fountains in the city, except in the Sorka and Basino Selo area, where the water is suitable for drinking. Tests show that the reservoir is acceptable from the bacteriological and physical-chemical viewpoints." Such is the statement made by Dr. Vera Ristova, a hygiene specialist in the Hygiene Office in Titov Veles. This office monitors the quality of drinking water from the municipal pipeline system and from springs in the vicinity.

NTIS
ATTN PROCESS 103
5285 PORT ROYAL RD
SPRINGFIELD VA

2

BULK RATE
U.S. POSTAGE
PAID
PERMIT NO. 352
MERRIFIELD, VA.

22161



This is a U.S. Government publication. Its contents in no way represent the policies, views, or attitudes of the U.S. Government. Users of this publication may cite FBIS or JPRS provided they do so in a manner clearly identifying them as the secondary source.

Foreign Broadcast Information Service (FBIS) and Joint Publications Research Service (JPRS) publications contain political, military, economic, environmental, and sociological news, commentary, and other information, as well as scientific and technical data and reports. All information has been obtained from foreign radio and television broadcasts, news agency transmissions, newspapers, books, and periodicals. Items generally are processed from the first or best available sources. It should not be inferred that they have been disseminated only in the medium, in the language, or to the area indicated. Items from foreign language sources are translated; those from English-language sources are transcribed. Except for excluding certain diacritics, FBIS renders personal names and place-names in accordance with the romanization systems approved for U.S. Government publications by the U.S. Board of Geographic Names.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by FBIS/JPRS. Processing indicators such as [Text] or [Excerpts] in the first line of each item indicate how the information was processed from the original. Unfamiliar names rendered phonetically are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear from the original source but have been supplied as appropriate to the context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by the source. Passages in boldface or italics are as published.

SUBSCRIPTION/PROCUREMENT INFORMATION

The FBIS DAILY REPORT contains current news and information and is published Monday through Friday in eight volumes: China, East Europe, Central Eurasia, East Asia, Near East & South Asia, Sub-Saharan Africa, Latin America, and West Europe. Supplements to the DAILY REPORTs may also be available periodically and will be distributed to regular DAILY REPORT subscribers. JPRS publications, which include approximately 50 regional, worldwide, and topical reports, generally contain less time-sensitive information and are published periodically.

Current DAILY REPORTs and JPRS publications are listed in *Government Reports Announcements* issued semimonthly by the National Technical Information Service (NTIS), 5285 Port Royal Road, Springfield, Virginia 22161 and the *Monthly Catalog of U.S. Government Publications* issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

The public may subscribe to either hardcover or microfiche versions of the DAILY REPORTs and JPRS publications through NTIS at the above address or by calling (703) 487-4630. Subscription rates will be

provided by NTIS upon request. Subscriptions are available outside the United States from NTIS or appointed foreign dealers. New subscribers should expect a 30-day delay in receipt of the first issue.

U.S. Government offices may obtain subscriptions to the DAILY REPORTs or JPRS publications (hardcover or microfiche) at no charge through their sponsoring organizations. For additional information or assistance, call FBIS, (202) 338-6735, or write to P.O. Box 2604, Washington, D.C. 20013. Department of Defense consumers are required to submit requests through appropriate command validation channels to DIA, RTS-2C, Washington, D.C. 20301. (Telephone: (202) 373-3771, Autovon: 243-3771.)

Back issues or single copies of the DAILY REPORTs and JPRS publications are not available. Both the DAILY REPORTs and the JPRS publications are on file for public reference at the Library of Congress and at many Federal Depository Libraries. Reference copies may also be seen at many public and university libraries throughout the United States.